

Kamachi Steels Limited: Assigned

| Facilities | Amount (Rs Crore) | Ratings/Outlook |
|------------------|-------------------|---------------------------|
| Cash Credit | 17.00 | SMERA B/Stable (Assigned) |
| Letter of Credit | 5.00 | SMERA A4 (Assigned) |

SMERA has assigned ratings of '**SMERA B**' (read as **SMERA B**) and '**SMERA A4**' (read as **SMERA A four**) on the above mentioned bank facilities of Kamachi Steels Limited (KSL). The outlook is '**Stable**'.

The ratings are constrained by the company's working capital intensive operations, stretched liquidity position and uneven revenue trend. The ratings also factor in the highly competitive steel industry. However, the ratings are supported by the established track record of operations.

KSL is a Chennai-based manufacturer of steel billets and TMT bars. The company's operations are working capital intensive marked by gross current asset days of 352 in FY2016 as compared to 168 in FY2015. The ratings take into account the stretched liquidity position evident from the high bank limit utilisation (99 per cent of cash credit limit utilised for six months ended 31 March, 2016). The revenue of the company declined to Rs.138.92 in FY2015-16 from Rs.248.05 crore in FY2014-15 due to slowdown in demand and heavy floods in Chennai that led to stoppage of production for three months.

KSL operates in a highly competitive steel industry. The industry faces slowdown in demand and threat of cheaper imports resulting in piling up of inventory and low operating margins.

However, KSL benefits from its experienced management and established track record of operations of over two decades. The directors viz. Mr. Ghisulal Kothari and Mr. Shantilal Kothari have more than three decades of experience in the steel industry.

Rating Sensitivity Factors

- Efficient working capital management
- Maintaining profitability
- Scaling up of operations

Outlook-Stable

SMERA believes KSL will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues and profitability while improving working capital management. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates or if the operating margins decline.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

The Chennai-based KSL, incorporated in 1995 by Mr. Ghisulal Kothari is a part of the Kamachi group of companies. The company manufactures steel billets and TMT bars.

For FY2015-16, KSL reported PAT of Rs.0.43 crore on operating income of Rs.138.92 crore, as compared with PAT of Rs.4.03 crore on operating income of Rs.248.05 crore in FY2014-15.

Contacts:

| Analytical | Business Development |
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| Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in | Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in |

ABOUT SMERA

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