

### K.I. (International) Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	35.00	SMERA BB-/Stable (Assigned)
Letter of Credit	65.00	SMERA A4 (Assigned)

SMERA has assigned long term rating of '**SMERA BB-' (read as SMERA double B minus)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the above mentioned Rs.100.00 crore bank facilities of K.I. (International) Limited (KIL). The outlook is '**Stable**'.

The ratings derive comfort from the experienced management, average financial risk profile and stable but thin margins. Further, the ratings factor in the large scale of operations and reputed customer base. However, the ratings are constrained by the stretched liquidity position, uneven revenue trend and intense market competition. The ratings also factor in risks related to volatility in forex rates.

KIL trades in MS plate, mild steel scrap among others. The company is headed by Mr. Ghisulal Kothari, Chairman and Mr. Shantilal Kothari, Vice Chairman, who possess over three decades of experience in the steel manufacturing and trading industry. The scale of operations is large marked by operating income of Rs.933.35 crore in FY2014-15. The average financial risk profile is marked by moderate interest coverage ratio of 2.76 times in FY2015, gearing of 2.37 times and net worth of Rs.26.57 crore as on 31st March 2015. The EBITDA margins have been stable at around 2.5 per cent in FY2015 and FY2016.

However, the margins are thin on account of the trading nature of business. Besides, the company's clientele includes reputed customers such as NCL Industries, Utkal Alumina International Limited and Orient Cement Limited to name a few. KIL operates in a highly fragmented and competitive metal industry with limited entry barriers and large number of unorganised players limiting its bargaining power with customers. The company's operations are working capital intensive due to high receivables and full utilisation of bank facilities. The revenue has been uneven over the past few years. In FY2013 the company registered operating income of Rs.610 crore, while the same fell to Rs.541 crore in FY2014. In FY2015, it increased to Rs.933 crore and declined to Rs.746 crore in FY2016.

#### Rating Sensitivity Factors

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

#### Outlook-Stable

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

#### Criteria applied to arrive at the ratings:

- Trading Entities

## About the Company

The Chennai-based KIL is a part of the Kamachi group of companies established by Mr. G L Kothari in 1978. KIL was incorporated in 2005 to trade in MS plate, mild steel scrap, billets among others. The company has recently begun trading in coal and iron ore and generates 80 per cent of revenue from the same.

For FY2014-15, the company registered PAT of Rs.7.81 crore on operating income of Rs.933.35 crore as against PAT of Rs. (13.54) crore on operating income of Rs. 541.72 crore in FY2013-14.

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## ABOUT SMERA

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