SMERA RATINGS LIMITED

K.I. (International) Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	35.00	SMERA BB-/Stable (Reaffirmed)
Letter of Credit	90.00 (enhanced from Rs.65.00 crore)	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the 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 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 margins however thin. 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 the foreign exchange fluctuation risk.

KIL trades in MS plate, mild steel scrap among others. The Chairman, Mr. Ghisulal Kothari and Vice Chairman, Mr. Shantilal Kothari 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.750.59 crore in FY2015-16. The company has average financial risk profile marked by moderate interest coverage ratio of 1.97 times in FY2016, gearing of 1.52 times and net worth of Rs.37.36 crore as on 31st March 2016. KIL's EBITDA margins have remained stable in FY2015 and FY2016 at around 2.5 per cent. However, the margins are thin on account of the trading nature of the business. 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 industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the 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 during the period under study. In FY2015-16 the revenue fell to Rs.750.59 crore from Rs.933.25 crore in FY2014-15.

Rating Sensitivity Factors

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

Outlook-Stable

SMERA believes that 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 the 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

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About the Company

The Chennai-based KIL is a part of the Kamachi group of companies which was 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 its revenue from the same.

For FY2015-16, the company registered PAT of Rs.6.36 crore on operating income of Rs.750.59 crore as against PAT of Rs.7.81 crore on operating income of Rs.933.35 crore in FY2014-15.

Rating History:

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
21 October, 2016	Cash Credit	35.00	SMERA BB- (Assigned)	-	Stable
	Letter of Credit	65.00	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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