

Press Release

K.I. (International) Limited



05 February, 2018

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 170.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating to '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 170.00 crore bank facilities of K I International Limited. The outlook is '**Stable**'.

Key rating drivers

Strengths

Experienced management

The chairman of the company, Mr. Ghisulal Kothari and vice chairman Mr. Shantilal Kothari has more than three decades of experience in the steel manufacturing, trading and thermal power industry.

Stable operating margins and Prominent Customers

Profitability margins of the company are stable from past three years. EBITDA margin stood at 2.24 percent in FY2016-17 as compared to 2.56 percent in FY2015-16. Similarly, PAT margin also remains stable at 0.91 percent in FY2016-17 as compared to 0.85 percent in FY2015-16. Further Due to KIL's management experience in the industry the firm has prominent customers like The K.C.P Limited, Bhavya Cements Limited, NCL Industries, Utkal Alumina International Limited etc.

Large scale of operations and healthy half yearly revenue

KIL's scale of operation is very large marked by the operating income of Rs. 891.29 crore in FY2016-17. Revenue booked by company in half year (April 2017 to November 2017) is around Rs 740.00.

Average Financial Risk Profile

KIL has average financial risk profile marked by moderate interest coverage ratio of 2.04 times in FY2016-17 as compared to 1.97 times for FY2015-16. The gearing of the company stood at 1.83 times as on 31 March 2017 as compared to 1.52 times as on 31 March 2016. Networth of the company is healthy at Rs. 57.70 crore as on 31 March 2017 as compared to 37.36 times as on 31 March 2016.

Weaknesses

Intense Competition

KIL operate in highly fragmented and competitive industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

Stretched Liquidity position

Gross current asset stood at 127 days in FY2016-17 on account of high debtor days of 107 days in FY2017. Further the bank facilities utilization has remained high at ~99%.

Analytical approach:

SMERA has considered standalone financial and business risk profile of the company to arrive at the rating.

Outlook - Stable

SMERA believes KIL will maintain a Stable outlook over the medium term owing to 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 in case of deterioration in the financial risk profile or if operating margins decline.

About the Rated Entity - Key Financials

In FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs.0.36 crore on operating income of Rs.70.05 crore as against net profit of Rs.0.17 crore on operating income of Rs.36.63 crore in the previous year. Tangible net worth stood at Rs. 5.62 crores as on March 31, 2017 as against Rs. 4.87 crores in previous year.

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22nd Nov 16	Cash Credit	Long term	35.00	SMERA BB-/Stable (Reaffirmed)
	Letter of Credit	Short term	90.00	SMERA A4 (Reaffirmed)
21st Oct 16	Cash Credit	Long term	35.00	SMERA BB-/Stable (Assigned)
	Letter of Credit	Short term	65.00	SMERA A4 (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	SMERA BB- (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BB- (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	90.00	SMERA A4 (Reaffirmed)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA A4 (Assigned)

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ABOUT SMERA

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