

## Press Release

K.I. (International) Limited

March 12, 2019

Rating Downgraded



<b>Total Bank Facilities Rated*</b>	Rs.170.00 Cr.
<b>Long Term Rating</b>	ACUITE D (Downgraded from ACUITE BB-/Stable)
<b>Short Term Rating</b>	ACUITE D (Downgraded from ACUITE A4)

\* Refer Annexure for details

### Rating Rationale

Acuité has downgraded long-term rating from '**ACUITE BB-**' (read as **ACUITE double B minus**) to '**ACUITE D**' (read as **ACUITE D**) and short-term rating from '**ACUITE A4**' (read as **ACUITE A four**) to '**ACUITE D**' (read as **ACUITE D**) to the Rs. 170.00 crore bank facilities of K. I. International Limited (KILL).

Rating downgrade reflects devolvement in letter of credit for more than 30 days due to the orders stuck at the Krishnapatnam port due to cyclone Pethia. Company has registered net loss of Rs.18.30 crore for the period April, 2018 to January, 2019 (Provisional) as against Profit After Tax (PAT) of Rs.4.71 crore in FY2018. Further, operating margins had also declined to negative 1.36 per cent for the period April, 2018 to January, 2019 (Provisional) from 1.22 per cent in FY2018.

KILL is a part of the Kamachi group of companies set up by Mr. G L Kothari in 1978 based out of Chennai. KILL was incorporated in 2005 and is engaged in the business of trading of coal, iron and steel scrap. The company is also engaged in providing port services which includes all the activities from receiving the goods till dispatching it to customers. The day to day operations are managed by its Chairman, Mr. Ghisulal Kothari and Vice Chairman, Mr. Shantilal Kothari along with other Directors who possess experience of more than three decades in steel industry. The company has four warehouses, two in Andhra Pradesh and two in Tamil Nadu.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of KILL to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### • Experienced management

The management of KILL possesses experience of more than three decades in steel industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. Acuité believes that KIL will continue to benefit from its experienced management and established relationships with customers.

##### • Healthy scale of operations

The company has reported healthy revenue growth with compounded annual growth rate (CAGR) of around 25.00 percent through the last three years ended 31 March, 2018. The company reported significant revenue growth of ~32 percent with operating income of Rs.1177.24 crore in FY2018 as against operating income of Rs.891.29 crore in FY2017. However, it has registered revenues of Rs.1119.78 crore for the period April, 2019 to January, 2019 (Provisional).

##### • Moderate financial risk profile

The financial risk profile is moderate marked by high net worth, moderate debt protection measures and high gearing. The net worth is high at Rs.36.91 crore as on 31 March, 2018 as against Rs.32.21 crore as on 31 March, 2017. The gearing (debt to equity) stood at 1.35 times as on March 31, 2018 as against 1.92 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 11.84 times as on 31 March, 2018 as against 11.76 times as on 31 March, 2017. The high revenue levels coupled with decline in operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR)

deteriorated to 1.66 times in FY2018 from 2.04 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.10 times as on 31 March, 2018 as against 0.14 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.54 times in FY2018 as against 1.82 times in FY2017.

## Weaknesses

### • Delays in debt servicing

There has been devolvement in letter of credit for more than 30 days because of the orders which are stuck at the Krishnapatnam port due to cyclone Pethia.

### • Decline in profitability

Company has registered net loss of Rs.18.30 crore for the period April, 2018 to January, 2019 (Provisional) as against Profit After Tax (PAT) of Rs.4.71 crore in FY2018. Further, operating margins had also declined to negative 1.36 per cent for the period April, 2018 to January, 2019 (Provisional) from 1.22 per cent in FY2018.

### • Moderate working capital operations

KILL has moderate working capital operations marked by Gross Current Assets (GCA) of 141 days in FY2018 as against 162 days in FY2017. The company maintains inventory of around 30 days on an average and extends clean credit of around 90 days to its customers, resulting in moderate GCA days. The inventory and debtor levels stood at 43 and 71 days in FY2018 as against 20 and 107 days in FY2017, respectively. As a result, the bank limits are fully utilized in the last six months ending January, 2019.

Acuite believes that the working capital requirements will continue to remain moderate over the medium term on account of the nature of the business.

## Liquidity Position

KILL has stretched liquidity marked by decline in net cash accruals in FY2019. The company generated negative cash accruals of Rs.18.61 crore for the period April, 2019 to January, 2019 (Provisional) as against Rs.5.12 crore during FY2018. The company has moderate working capital operations as marked by high GCA days of 141 in FY 2018. This has led to higher reliance on working capital borrowings, the cash credit limit of the company remained fully utilised during the last six months period ended January 2019. The company maintains unencumbered cash and bank balances of Rs.0.91 crore as on March 31, 2018. The current ratio stood moderate at 1.11 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of significant losses registered by the company for the FY2019.

## About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	1,177.24	891.29	750.59
EBITDA	Rs. Cr.	14.42	19.99	19.22
PAT	Rs. Cr.	4.71	8.14	6.36
EBITDA Margin	(%)	1.22	2.24	2.56
PAT Margin	(%)	0.40	0.91	0.85
ROCE	(%)	16.91	26.05	61.11
Total Debt/Tangible Net Worth	Times	1.35	1.92	1.92
PBDIT/Interest	Times	1.66	2.04	1.97
Total Debt/PBDIT	Times	3.18	2.95	2.12
Gross Current Assets (Days)	Days	141	162	150

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

None

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-40.htm>

## Note on complexity levels of the rated instrument

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

## Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Feb-2018	Cash Credit	Long Term	35.00	ACUITE BB-/ Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	15.00	ACUITE BB-/ Stable (Assigned)
	Letter of Credit	Short Term	90.00	ACUITE A4 (Reaffirmed)
	Proposed Letter of Credit	Short Term	30.00	ACUITE A4 (Assigned)
22-Nov-2016	Cash Credit	Long Term	35.00	ACUITE BB-/ Stable (Reaffirmed)
	Letter of Credit	Short Term	90.00	ACUITE A4 (Reaffirmed)
21-Oct-2016	Cash Credit	Long Term	35.00	ACUITE BB-/ Stable (Assigned)
	Letter of Credit	Short Term	65.00	ACUITE A4 (Assigned)

## \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00*	ACUITE D (Downgraded from ACUITE BB-/Stable)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE D (Downgraded from ACUITE BB-/Stable)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	90.00	ACUITE D (Downgraded from ACUITE A4)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE D (Downgraded from ACUITE A4)

\*sublimit to w/w packing credit is Rs.10.00 crore.

## Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuited.in">aditya.gupta@acuited.in</a></p> <p>Saurabh Rane Analyst - Rating Operations Tel: 02249294044 <a href="mailto:Saurabh.Rane@acuiteratings.in">Saurabh.Rane@acuiteratings.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuited.in">rating.desk@acuited.in</a></p>

### About Acuite Ratings & Research:

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