

Press Release

K S Steel & Alloys Private Limited

April 11, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

*Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) on the Rs. 15.00 crore bank facilities of K S Steel & Alloys Private Limited. The outlook is '**Stable**'.

K S Steel & Alloys Private Limited (KSSAPL) promoted by Mr. Pravin Singhal, is engaged in the trading of iron and steel products. The company is the sole distributor of TMT Bars of Concast Maxx in Jharkhand.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

KSSAPL was established in 1993 by Mr. Pravin Singhal. The promoter has more than two decades of experience in the iron and steel industry.

- **Established relationship with key suppliers**

The company is the sole distributor for Concast Maxx for TEMCO TMT bars in Jharkhand since inception and hence has established long term relations over the years.

Weaknesses

- **Weak financial risk profile**

The weak financial risk profile is marked by high gearing of 2.30 times, low interest coverage ratio of 1.12 times and low Net cash accruals to Total Debt (NCA/TD) of 0.01 times in FY2016. The networth has been moderate at Rs 7.48 cr in FY2016. The rating remains constrained by the aggressive capital structure and weak debt protection metrics.

- **Thin profit margin**

KSSAPL has registered declining profit margin trend with operating profit margin of Rs 4.07 per cent in FY2016 compared to 4.84 per cent in FY2015. The net profit margin declined to 0.22 percent in FY2016 from 0.25 percent in FY2015. The profits are thin due to the trading nature of business and high interest payment.

- **Working capital intensive operations**

The operations of KSSAPL are working capital intensive marked by gross current asset days of 181 during FY2016 as compared to 190 days in FY2015. The inventory days are high at 106 days in FY2016 as against 119 days in FY2015. This is due to the high level of inventory of steel and structural products which they maintain. The debtor days also stood high at 73 days in FY2016 compared to 63 in FY2015. The company allows a credit period of two months to its customers which sometimes get further extended.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that KSSAPL will continue to benefit over the medium term from the promoters vast experience. The outlook may be revised to 'Positive' if KSSAPL achieves more than envisaged sales and profitability while improving its financial risk profiles. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16 the company reported Profit After Tax (PAT) of Rs.0.13 cr on total operating income of Rs.59.48 cr as compared to Profit After Tax (PAT) of Rs.0.13 cr on total operating income of Rs.49.89 cr in FY2014-15. Till February, 2017 the company earned revenue of Rs. 50 cr (Provisional).

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

None

Any other information

None

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>

Rating History (Upto last three years)

Not Applicable

*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	12.00	SMERA B / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B / Stable

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