

Press Release

31 May, 2017

KBS Industries Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs. 34.00 Cr.
Long Term Rating	SMERA BB/ Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 34.00 crore bank facilities of KBS Industries Private Limited. The outlook is '**Stable**'.

KBS Industries (KIPL) was incorporated in 2012. The company promoted by Mr. Arjun Anand and Ms. Monica Sachdeva is engaged in the manufacturing of semi-finished copper and alloy products such as rods, bus bars, strips, plates to name a few. The factory is located at Haryana.

Key Rating Drivers

Strengths

- **Experienced management**

The management of the company has over three decades of experience in the copper industry. Currently, the second generation entrepreneurs manage the day-to- day operations.

- **Diversified product profile**

KIPL has a diversified product profile since it manufactures and trades in wire rods, billets and ingots and caters to several industries including consumer products, electronics, electricals and automotives.

- **Healthy y-o-y revenue growth**

The company has a healthy year-on-year revenue growth with operating income of Rs.179.89 cr in FY2015-16 as compared to Rs.63.51 cr in FY2014-15 on account of streamlining of the manufacturing process and increase in capacity utilisation. Further, as per provisional financials KIPL achieved operating income of Rs. 195.30 crore in FY2017.

Weaknesses

- **Average financial risk profile**

KIPL has average financial risk profile marked by gearing of 1.40 times as on 31 March, 2016 against 1.87 times as on 31 March, 2015. The Interest Coverage Ratio (ICR) stood at 1.30 times (PY: 1.32 times) and debt service coverage ratio at 1.27 times (PY: 1.29 times) in FY2016. Further, the NCA to TD stood at 0.04 in FY2016 as against 0.03 times in FY2015. The tangible net worth stood at Rs.24.74 crore as on 31 March, 2016 as against Rs.11.68 crore as on 31 March, 2015. In FY2017, gearing improved to 0.90 times (Provisional) and ICR and DSCR to 2.22 times and 1.91 times respectively due to improvement in profitability.

- **Susceptibility of profit margins to volatility in raw material prices**

The profitability margins are susceptible to fluctuations in the prices of copper since raw material accounts for ~95 per cent of total cost of sales. Any adverse movement in copper prices may impact the profitability of the company. Further, around 60 percent of the raw materials are imported from Dubai. However, this risk gets mitigated to an extent since the raw materials are purchased only after confirmation of orders.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the company to arrive at the rating. Further, SMERA has consolidated the financial and business risk profiles of H K Industries with KIPL (till FY2016) owing to the merger w.e.f. April 01, 2016.

Outlook: Stable

SMERA believes that the outlook of KIPL will remain stable over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of sustained growth in revenues and profit margins or improvement in the financial risk profile. Conversely, the outlook maybe revised to 'Negative' in case of steep decline in revenues and profitability or deterioration in the capital structure owing to high debt funded capex or working capital borrowings.

About the Rated Entity - Key Financials

KIPL reported net profit after tax (PAT) of Rs.0.76 crore on operating income of Rs.179.89 crore in FY2015-16 compared to PAT of Rs.0.29 crore on operating income of Rs.63.51 crore for the previous year. The net worth stood at Rs.24.74 crore as on 31 March, 2016 as compared to Rs.11.68 crore in the previous year.

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	10.00	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA A4+

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ABOUT SMERA

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