

Press Release

KBS Industries Private Limited

22 February, 2018



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs.73.00 Cr. (Enhanced from Rs. 34.00 Cr.)
Long Term Rating	SMERA BBB- /Outlook: Stable (Upgraded from SMERA BB/Stable)
Short Term Rating	SMERA A3 (Upgraded from SMERA A4+)

**Refer annexure for details*

SMERA has upgraded the long term rating to **'SMERA BBB-' (read as SMERA triple B minus)** from **'SMERA BB' (read as SMERA double B)** and short term rating to **'SMERA A3' (read as SMERA A three)** from **'SMERA A4+' (read as SMERA A four plus)** on the Rs. 34.00 cr. bank facilities of KBS Industries Private Limited (KIPL). The outlook is **'Stable'**.

Further SMERA has assigned long term rating of **'SMERA BBB-' (read as SMERA triple B minus)** and short term rating of **'SMERA A3' (read as SMERA A three)** on the Rs. 37.00 crore bank facilities of KIPL.

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.

Further the company is setting up new plant in Silvassa for manufacturing of electrical wires and the project cost is around Rs.13.00 crore. The commencement of operation will start from April 2018. The upgrade is in view of significant growth in revenues along with profitability margins of the firm. SMERA believes going ahead the firm will sustain the growth in revenues and profitability margins over the medium term.

Key rating drivers

Strengths

Established operational track record and experienced management

The management of the KBS Industries Private Limited has over three decades of experience in copper industry. Currently second generation manages the day to day operations of the company. The management is well supported by director Ms. Monica Sachdeva having over a decade of experience in copper industry.

Healthy financial risk profile

The company has healthy financial risk profile marked by networth stood at Rs.33.49 crore as on 31 March 2017 as against Rs.23.29 crore as on 31 March 2016, The gearing remains comfortable at 0.93 times as on March 31, 2017 as against 1.55 times as on March 31, 2016. The total debt of Rs.31.02 crore mainly consists of working capital limit of Rs.24.96 crore. Moreover

there are no long term debt borrowings from banks or financial institution as on March 31, 2017. Debt protection metrics remained moderate as interest coverage ratio (ICR) stood at 2.13 times for FY2017 as against 1.30 times in previous year. TOL/TNW stood comfortable at 1.65 times as on 31st March, 2017 as compared to 2.81 times in the previous year. Going forward, gearing is expected to remain comfortable in the medium term on account of absence of external borrowings.

Moderate growth in Profitability margins

KBSIPL recorded revenues of Rs. 198.62 crore in FY2017 as against Rs. 179.89 crore in FY2016. Further during the period April 2017 to November. The operating margins of KBSIPL have improved to 4.44 percent in FY2017 as against 3.20 percent in FY2016. The improvement was mainly on account of increased sales of copper items. The Profit after tax (PAT) margins improved 1.63 percent in FY2017 as against 0.42 percent in FY2016.

Weaknesses

Susceptibility of the company's profit margins to volatility in raw material prices and forex rates

The raw material used in manufacturing is copper scrap etc. Hence margins are susceptible to volatility associated with raw material prices. Further, ~10 percent of raw materials are imported from Dubai.

Presence in highly Competitive & fragmented industry

KIPL operates in the highly competitive copper industry with much pressure on capacity utilization and bargaining power of the company. The stiff competition from relatively cheaper imports also limits KIPL's pricing flexibility and profitability.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of KBSIPL to arrive at the rating.

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 may be 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

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	198.62	179.89	63.51
EBITDA	Rs. Cr.	8.82	5.76	3.55
PAT	Rs. Cr.	3.23	0.76	0.29
EBITDA Margin	(%)	4.44	3.20	5.59
PAT Margin	(%)	1.63	0.42	0.46
ROCE	(%)	13.63	11.62	11.26
Total Debt/Tangible Net Worth	Times	0.93	1.55	2.10
PBDIT/Interest	Times	2.13	1.30	1.32
Total Debt/PBDIT	Times	3.44	6.12	6.40

Gross Current Assets (Days)	Days	132	147	124
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Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
31-May-2017	Cash Credit	Long Term	10.00	SMERA BB / Stable (Assigned)
	Term Loan	Long Term	7.00	SMERA BB / Stable (Assigned)
	Proposed Long Term Loan	Long Term	5.00	SMERA BB / Stable (Assigned)
	Letter of Credit	Short Term	12.00	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	10.00	SMERA BBB-/ Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	SMERA BBB-/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BBB-/ Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BBB-/ Stable (Upgraded)

Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB-/ Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA A3 (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A3 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA A3 (Assigned)

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ABOUT SMERA

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