

Press Release

Ked Sati Iron And Steel Private Limited

August 08, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 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. 12.00 crore bank facilities of Ked Sati Iron And Steel Private Limited. The outlook is '**Stable**'.

Incorporated in 2007 by Mr. Subhas Kedia and Mrs. Jyoti Kedia, Ked Sati Iron and Steel Private Limited (KSISPL), part of the Jai Dadi Group, manufactures and supplies fish plates, groove rubber sole plate (GRSP), metal liner, single coil spring washer among others to railways. The company is an approved manufacturer and supplier for Research Design and Standards Organisation (RDSO). The manufacturing unit is located at Liluah (West Bengal) with installed capacity of 25000 MT per annum.

Key Rating Drivers

Strengths

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

The company is led by Mr. Subhash Kedia who possesses experience of nearly three decades in the said line of business.

- **Approved vendor for RDSO**

The group, an approved contractor for RDSO has been able to bag repeat orders from railways. The revenue of the group rose to Rs 110.66 crore in FY2017 (Provisional) from Rs 56.65 crore in FY2015 thereby registering compounded annual growth rate (CAGR) of 39.76 per cent. Further, the group has healthy order book position of ~ Rs 106 crore which is likely to be executed by September/October, 2017.

- **Moderate working capital cycle**

The working capital cycle is moderate as reflected in the Gross Current Asset (GCA) of 115 days in FY2017 (Provisional) as against 154 days in FY2016 primarily due to inventory days of 90. Also, the company has relied on creditors to fund its working capital requirements resulting in high TOL/TNW of 4.72 times in FY2017 (Provisional), a fall from 6.12 times in FY2016. The high reliance on creditors to fund its working capital cycle shows the bargaining strength of the group.

Weaknesses

- **Moderate financial risk profile**

The moderate financial risk profile is marked by low net worth base of Rs 9.95 crore in FY2017 (Provisional) compared to Rs 7.77 crore in FY2016. The consolidated gearing stood at 2.13 times in FY2017 (Provisional) and 3.17 times in FY2016. The coverage indicators are comfortable with interest coverage ratio (ICR) of 2.48 times in FY2017 (Provisional) as against 2.15 in FY2016. The NCA/TD stands comfortable and improved to 0.15 times in FY2017 (Provisional) from 0.08 times in

FY2016. Going forward, the financial risk profile is expected to remain moderate with proposed fund based facility of Rs 25 crore to finance working capital requirements.

• **Volatility in raw material prices and intense competition**

The main raw material used by the company is billets. Any adverse movement in the prices of billets can affect margins considering that raw material costs constituted around 82 per cent of the total revenue during the period FY2014- FY2017. Additionally, the group faces competition from other players in the industry resulting in a success strike rate of ~ 10 per cent.

Analytical Approach

For arriving at the ratings, SMERA has consolidated the business and financial risk profiles of Eastern Track Udyog Private Limited (ETUPL), Ked Sati Iron & Steels Private Limited (KSISPL) and Fabro Forge (FF), together referred to as the Jai Dadi Group. The consolidation is on account of the operational and financial linkages and common ownership.

Outlook: Stable

SMERA believes that the group will maintain a stable outlook over the medium term, owing to its experienced management and orders in hand. The outlook may be revised to 'Positive' in case of increase in scale of operations and improved profitability while prudently managing its working capital requirement. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues, fall in margins and higher working capital requirement.

About the Group

The Jai Dadi Group was incorporated in 1988 by Mr. Subhash Kedia. The group is engaged in the manufacture and supply of fish plates, groove rubber sole plate (GRSP), metal liner, single coil spring washer among others. Additionally, the group is also engaged in the construction of railway bridges which constitute around 10 per cent of its total revenue. The nature of business is tender based.

About the Rated Entity - Key Financials

For FY2017 (Provisional), the group achieved net profit after tax (PAT) of Rs.1.91 crore on operating income of Rs.110.66 crore compared with PAT of Rs.0.78 crore on operating income of Rs.95.81 crore in FY2016. For FY2017 (Provisional), KSISPL on standalone basis, registered net profit after tax (PAT) of Rs.0.66 crore on operating income of Rs.31.88 crore compared with PAT of Rs.0.11 crore on operating income of Rs.18.38 crore in FY2016.

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>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.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
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB / Stable
Proposed Letter of Credit/Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in Aniruddha Dhar Analyst - Rating Operations Tel: 033-66201212 aniruddha.dhar@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

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