



Press Release

Key Tech Engineering Company (KTEC)

13 December, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.50 Cr.
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 6.50 crore bank facilities of Key Tech Engineering Company (KTEC).

Key Tech Engineering Company (KTEC) is a proprietorship concern established in 1996 by Mr. Pravin Kushalraj Mehta. The firm is engaged in the manufacture of specialised valves, pipes and fittings, stainless steel among others mainly used in the chemical and fertiliser industries.

The registered office is located at Andheri (Mumbai) and the manufacturing facility at Vasai, Thane.

Key rating drivers

Strengths

Experienced management and established track record of operations

The promoter, Mr. Pravin Mehta has experience of two decades in the chemical and fertilisers industry which has helped him established healthy relations with customers.

Healthy financial risk profile

KTEC has a healthy financial risk profile marked by tangible net worth of Rs. 14.53 crore as on 31 March, 2017 (Provisional) as against Rs.10.45 crore in the previous year. The gearing stood at 0.14 times as on 31 March, 2017 (Provisional) as against 0.05 times in the previous year. The Interest Coverage ratio stood at 44.84 times for FY2017 (Provisional) as against 13.33 times in the previous year. The Total outside Liabilities/Tangible net worth (TOL/TNW) stood at 0.56 times as on 31 March, 2017 (Provisional) compared to 0.15 times in the previous year. The Net cash accruals/total debt (NCA/TD) stood at 3.30 times as on 31 March, 2017 (Provisional) and 6.72 times in the previous year. SMERA expects the financial risk profile to remain healthy in near to medium term on account of addition of capital by the promoter and absence of major debt funded capex plans.

Reputed clientele

KTEC caters to reputed clients including Rashtriya Chemicals and Fertilizers Limited, Indo Gulf Fertilisers Limited, GAIL (India) Limited, Tata Chemicals Limited, National Fertilizers Limited among others.

Weaknesses

Working capital intensive operations

The operations are working capital intensive marked by high GCA of 160 days in FY2017 (Provisional) compared to 256 days in FY2016. The GCA days are mainly dominated by inventory of 84 days in FY2017 (Provisional) and 168 days in FY2016. SMERA believes that the efficient working capital management will be crucial in order to maintain a stable credit profile.

Moderate revenue growth

The scale of operations is modest despite operations starting in 1996. The revenue stood at Rs. 21.98 crore in FY2017 (Provisional) compared to Rs. 8.89 crore in FY2016. Further, during April to September 2017, the firm registered revenue of Rs.6.00 crore.

Competitive and fragmented industry

KTEC is exposed to intense competition from other small and large scale manufacturers and exporters affecting its margins.

Risk of capital withdrawal

The firm is exposed to the risk of capital withdrawal considering its proprietorship constitution. However, there were no significant withdrawals observed during the period under study.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Key Tech Engineering Company (KTEC) to arrive at the rating.

About the Rated Entity – Key Financials

In FY2016-17 (Provisional), the firm reported profit after tax (PAT) of Rs. 6.33 crore on operating income of Rs. 21.98 crore as against net profit of Rs. 2.94 crore on operating income of Rs. 8.89 crore in the previous year. The tangible net worth stood at Rs. 14.53 crore as on 31 March, 2017 (Provisional) as against Rs. 10.45 crore a year earlier.

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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

None

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. Crore)	Ratings/Outlook
Letter of Credit (Proposed)	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA A4+

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Avadhoot Mane, Rating Analyst, Tel: +91-22-6714 1138 Email: avadhoot.mane@smera.in	

ABOUT SMERA

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