

Press Release

J K ELECTRO POWER

09 January, 2018

Rating Assigned



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

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs. 15.00 crore bank facilities of J K ELECTRO POWER (JKEP). The outlook is '**Stable**'.

JKEP, established in 2001, is a Kolkata-based partnership firm engaged in the trading of HT/LT cables and wires, cable jointing, LED Lights and accessories through its two showrooms at Bhuvneshwar, Orissa. The firm led by Partners, Mr. Kishan Kumar Bagri and Mr. Jinendra Kumar Begani has four branches across India in Gujarat, Rajasthan, Chhattisgarh and Orissa with head office at Kolkata.

Key Rating Drivers

Strengths

- **Experienced management**

The firm is led by Mr. Kishan Kumar Bagri who possesses more than four decades of experience in the electricals industry and Mr. Jitendra Kumar Begani with experience in the broking business.

- **Growth in operating income and moderate profitability**

JKEP registered around 26 per cent growth in revenue in FY2016-17 over the previous year. Revenue stood at Rs.94.32 crore in FY2016-17 as against Rs.74.69 crore in FY2015-16 mainly due to addition of clients and increase in orders from existing customers. The operating (EBIDTA) margin declined to 4.83 per cent in FY2017 from 5.08 per cent in FY2016 due to increasing competition. The net profit margin stood at 1.08 per cent in FY2017 as against 1.03 per cent in FY2016.

- **Established relations with customers**

JKEP caters to a reputed client base including Emami Cement Limited, Doyen Overseas Pvt Ltd and Himadri Speciality Chemical Ltd. The firm has established long term relations of over a decade with its customers and suppliers.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of JKEP has been moderate. The gearing stood at 0.58 times as on 31 March, 2017 compared to 0.25 times in the previous year. The tangible networth stood at Rs.25.20 crore in 31 March, 2016 against Rs.21.93 crore as on 31 March, 2017. The latter includes unsecured loans of Rs. 14.21 crore treated as quasi equity. The total debt of Rs. 14.54 crore as on 31 March, 2017 comprises working capital borrowings. The Interest Coverage Ratio stood at 1.53 times in FY2017 as against 1.66 times in FY2016. The net cash accruals to total debt (NCA/TD) stood at 0.08 times in FY2017 as against 0.17 times in FY2016. The Total outstanding liabilities to total Network (TOL/TNW) stood at 0.97 times in FY2017 and 1.31 times in FY2016.

• Working capital intensive operations

The operations are working capital intensive with Gross Current Assets (GCA) of 182 days in FY2017 as against 232 days in FY2016 mainly on account of high inventory of 102 days (PY: 121 days) and high debtors of 64 days (PY: 92 days) in FY2017.

Analytical Approach

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

Outlook: Stable

SMERA believes that JKEP will maintain a 'Stable' outlook on account of its experienced management. The outlook may be revised to 'Positive' in case of sustained and significant growth in operating income and profitability margins resulting in improved financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected operating income and profitability and/or deteriorating in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	94.32	74.69	87.48
EBITDA	Rs. Cr.	4.56	3.80	5.16
PAT	Rs. Cr.	1.02	0.77	0.96
EBITDA Margin	(%)	4.83	5.08	5.90
PAT Margin	(%)	1.08	1.03	1.10
ROCE	(%)	13.28	12.65	33.01
Total Debt/Tangible Net Worth	Times	0.58	0.25	0.50
PBDIT/Interest	Times	1.53	1.66	1.46
Total Debt/PBDIT	Times	3.16	1.43	1.95
Gross Current Assets (Days)	Days	182	232	181

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB- / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB- / Stable

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