

July 24, 2014

Facility	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA B+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+** (read as SMERA single B plus)' to the Rs.10.00 crore bank facility of K.K. Minerals (KKM). The outlook is '**Stable**'. The rating is constrained by the firm's low net profit margin amidst intense competition in the coal trading business. The rating is also constrained by the decline in the firm's revenue in FY2012-13 (refers to financial year, April 01 to March 31). The rating factors in risks related to the firm's weak financial profile. However, the rating is supported by the firm's experienced management and comfortable working capital metrics.

KKM, established in 2005, is a Guwahati-based proprietorship firm engaged in trading of coal. KKM's net profit margin is low at 0.63 per cent in FY2012-13. The firm faces intense competition from several players in the coal trading business. KKM's revenue declined from Rs.48.38 crore in FY2011-12 to Rs.31.67 crore in FY2012-13. The firm's weak financial profile is marked by high gearing (debt-to-capital ratio) of 3.16 times as on March 31, 2013 and moderate interest coverage ratio of 1.47 times in FY2012-13.

KKM benefits from its experienced management. Mr. Varun Kaura, proprietor KKM, has around nine years of experience in the firm's line of business. KKM has comfortable working capital metrics, as reflected in inventory holding period of 5 days and payables period of 6 days in FY2012-13. The firm's bank limit utilisation is moderate at 45 per cent during June 2013 to January 2014.

Outlook: Stable

SMERA believes KKM will maintain a moderate business risk profile in the medium term on the back of its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained improvement in profitability and coverage indicators. The outlook may be revised to 'Negative' in case of further deterioration in the firm's capital structure.

About the firm

KKM, established in 2005, is a proprietorship firm promoted by Mr. Varun Kaura. KKM is engaged in trading of coal. The firm's head office is located in Guwahati (Assam), and branch office is located in Ludhiana (Punjab).

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For FY2012–13, KKM reported profit after tax (PAT) of Rs.0.20 crore on net sales of Rs.31.67 crore, as compared with PAT of Rs.0.13 crore on net sales of Rs.48.38 crore in the previous financial year. The firm's net worth stood at Rs.2.42 crore as on March 31, 2013, as compared with Rs.2.26 crore as year earlier.

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