

KIC Metaliks Ltd

January 20, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	22.50 (reduced from 36.25)	CARE BB+; Stable (Double B plus; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	32.00	CARE A4 (A Four)	Reaffirmed
Total Facilities	54.50 (Rupees Fifty four crore and fifty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The ratings assigned to the bank facilities of KIC Metaliks Ltd (KML) continue to remain constrained by lack of backward integration leading to susceptibility of margins on account of volatility in raw material prices, exposure to foreign exchange fluctuation risk, intense competition, working capital intensive nature of operations, leveraged capital structure and cyclicity associated to the iron and steel industry. However, the above constraints are partially offset by long experience of the promoters, long track record of operations of the company and stable financial performance in FY16 (FY refer to the period from April 1 to March 31) with moderate debt protection metrics.

Ability of the company to improve profitability and capital structure, manage working capital effectively and outlook of the domestic steel industry will remain the key rating sensitivities.

Detailed description of the key rating drivers

The financial performance of KML continued to remain stable with improvement in PBILDT margin from 4.50% in FY15 to 5.35% in FY16 on account of increase in high margin manufacturing sales in the revenue profile and interest coverage ratio from 1.85x in FY15 to 2.25x in FY16. However, the total operating income of KML has declined by 28.7% in FY16 vis-a-vis FY15 on account of decline in sales realisation due to subdued demand from domestic steel industry.

KML's operation continued to remain working capital intensive. The capital structure continued to remain leveraged though both long-term debt-equity & overall gearing ratios marginally improved from 2.43x and 3.47x respectively as on March 31, 2015 to 2.15x and 3.28x respectively, as on March 31, 2016 due to scheduled repayment of term loans coupled with accretion of profits to reserve.

KML's profitability is susceptible to volatility in raw material prices due to lack of backward integration and foreign exchange fluctuation risk.

KML is engaged in manufacturing of pig iron and trading of coking coal & LAMC. Mr. Radhey Shyam Jalan, CMD of KML, looks after the day-to-day affairs of the company, with support from a team of experienced professionals. He is a Chartered Accountant with more than decade old experience in coal sector.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[CARE's methodology for manufacturing companies](#)

[Rating methodology- Steel Sector](#)

[Financial ratios – Non-Financial Sector](#)

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

About the Company

KML, incorporated on August 26, 1986, as Prudential Marketing Private Limited, was promoted by Mr Ravi Kumar Kajaria of Kolkata. The name of the company was later (in September 2003) changed to its present name. Currently, KML is engaged in manufacturing of pig iron and trading of coking coal & LAMC. This apart, it also operates a 4.7 MW waste heat based power plant used primarily for captive consumption. In FY16, manufacturing sales accounted for around 71% of its total sales while the balance sales were from trading activities. Mr Radhey Shyam Jalan, CMD of KML, manages the day to day operations of the company.

KML registered PAT of Rs.0.8 crore on total operating income of Rs.315.5 crore in FY16 (refers to the period April 1 to March 31) as compared to PAT of Rs.1.8 crore on a total operating income of Rs.442.4 crore in FY15. Further, KML posted PAT of Rs.0.4 crore on a net sale of Rs.156.9 crore during the half year ended September 30, 2016.

Status of non-cooperation with previous CRA: Not Applicable.

Any other information: Not Applicable.

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund Based - LT-Cash Credit	-	-	-	17.00	CARE BB+; Stable
Non-Fund Based - ST-BG/LC	-	-	-	32.00	CARE A4
Fund Based - LT-Term Loan	-	-	March, 2017	5.50	CARE BB+; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Chronology of Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund Based - LT-Cash Credit	LT	17.00	CARE BB+; Stable	-	1)CARE BB+ (11-Dec-15)	1)CARE BB+ (11-Nov-14)	1)CARE BB+ (16-Sep-13)
2.	Non-Fund Based - ST-BG/LC	ST	32.00	CARE A4	-	1)CARE A4 (11-Dec-15)	1)CARE A4 (11-Nov-14)	1)CARE A4 (16-Sep-13)
3.	Fund Based - LT-Term Loan	LT	5.50	CARE BB+; Stable	-	1)CARE BB+ (11-Dec-15)	1)CARE BB+ (11-Nov-14)	1)CARE BB+ (16-Sep-13)

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