

MKJ Tradex Limited

August 02, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	80.00	CARE BBB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in rating assigned to bank facilities of MKJ Tradex Limited (MKJ) derive strength from experienced and resourceful promoters coupled with company being part of Keventer group which has business interest in diverse sectors. The rating draws comfort from established relationship with suppliers and customers in niche stainless steel segment along with insulation from volatility in prices of raw materials and finished goods. The rating also factors in satisfactory financial performance in FY24 (refers to period from April 01 to March 31) along with satisfactory capital structure and debt coverage indicators. The ratings, however, is constrained by modest profitability, supplier concentration risk and working capital intensive nature of business.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations marked by total operating income above Rs.1,000 crore on a sustained basis
- Improvement in liquidity with decline in working capital cycle below 60 days.
- Improvement in debt coverage indicators marked by Total Debt to Gross Cash Accruals below 8x on a sustained basis.

Negative factors

- Elongation of working capital cycle beyond current levels (FY24)
- Deterioration in capital structure marked by overall gearing above 2.00x on a sustained basis

Analytical approach: Standalone, factoring linkages with Kolkata based Keventer group

Outlook: Stable

The company is expected to sustain its operational performance given established relationship with customers and supplier thereby ensuring repeat orders from customers and steady supply of goods from supplier. Further, the company is expected to have satisfactory capital structure given it has no reliance on term debt going forward.

Detailed description of the key rating drivers:

Key strengths

Experienced and resourceful promoters

MKJ is part of Kolkata-based Keventer group with Mr. M.K Jalan as its promoter and Chairman. The group has varied interests in steel, food processing, dairy, real estate, etc. The promoter has experience in the FMCG, dairy and agro-related businesses through one of the group companies viz Keventer Agro Limited. Further, the promoters have demonstrated regular fund support to the company for funding the business operations.

Established relationships with suppliers and customers in niche stainless steel (SS) segment.

MKJ has been associated with its sole supplier viz Mukand Limited (ML) for more than four decades for supply of stainless-steel products. Before MKJ, the group has been associated with ML through other group companies engaged in trading of steel and alloy products. Furthermore, MKJ is engaged in the trading of specialized stainless-steel products like SS Wire Rods, SS Wires, SS Bright Bars, etc. of various grades, shapes and sizes which find application in diverse industries like automotive, industrial, oil & gas, energy, etc. Therefore, the customers profile of MKJ includes various renowned companies in SS industry from whom MKJ has been receiving repeat orders.

Insulated from volatility in price of the inputs and finished goods.

MKJ, being the consignment agent of ML, receives a fixed commission on sale of finished goods and on sale of inputs to ML. In case of direct sales, MKJ is insulated from the volatility in prices of steel products or input material which is borne by ML or the customers of MKJ, however; it also restricts the profitability margins the company can enjoy going forward.

Satisfactory financial performance along with satisfactory capital structure and debt coverage indicators in FY24 albeit modest profitability margins

The total operating income of the company improved by around 7% to Rs 812.65 crore in FY24 vis-à-vis Rs 757.09 crore in FY23. in view of increase in demand of steel products. Consequently, the PBILDT margin also improved marginally by 56 bps to 3.40% in FY24 as against 2.84% in FY23.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The capital structure of the company is satisfactory with no reliance on long term debt and overall gearing of 1.07x as on March 31, 2024 (1.15x as on Mar'23). A charge has been created on the equity investments of Rs 0.14 crore (i.e. 22000 shares equivalent to 0.88% shareholding) made by MKJ in MKJ Developers Limited (a group company) as these shares have been pledged for a loan availed by another group company. The equity investments have been adjusted from the tangible networth of MKJ to arrive at adjusted gearing which stands at 1.07x as on Mar 31, 2024.

The debt protection metrics marked by TD/GCA has improved from 10.21x in FY23 to 8.48x but remains high. Similarly, interest coverage ratio has also improved from 1.58x in FY23 to 1.82x in view of improvement in operating profitability.

Key weaknesses

Supplier concentration risk

MKJ sells stainless-steel products manufactured by its single supplier viz Mukand Limited. MKJ receives orders from its customers and based on these orders, MKJ provides raw materials and other inputs to ML for production of stainless steel. Hence, ML is the sole supplier of stainless-steel products to MKJ. However, MKJ has healthy and sustained relationship with ML for more than 4 decades.

Working capital intensive nature of the business

On purchase of finished products from ML, the payment has to be made within 2-3 days. Hence, creditor's period has remained low during the last three years. On supply of raw materials, MKJ extends a credit period of 15-21 days to ML. Conversely, the credit period allowed to other customers is based on prevalent market conditions and therefore varies from deal to deal. Currently, the credit period allowed to other customers is around 45 days. In addition, the purchase from ML is backed by orders from customers and the despatches are made directly from the works of ML to the customers hence, the inventory holding period for MKJ is nil. Working capital cycle stood at 80 days in FY24 vis-à-vis 72 days in FY23.

Liquidity: Adequate

The liquidity position of the company is adequate marked by gross cash accruals of Rs 11.81 crore as against debt repayments of Rs 0.08 crore in FY24. Going forward, the company doesn't have any debt repayment obligations. Further, the combined average utilization of fund-based limit stood at 93% for the last 12 months ended June'24. The company has availed adhoc limit of Rs 5 crore from Union Bank of India (lead banker) on Nov 30, 2023 which has been renewed twice on February 26, 2024 and May 15, 2024 for 3 months each to meet the working capital requirements of the company. This apart, the promoters have also infused additional unsecured loans of Rs 3.26 crore in FY24. As articulated by the management, the promoters may further infuse unsecured loans in the company as and when required.

Environment, social, and governance (ESG) risks- NA

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Wholesale Trading](#)

[Factoring linkages Parent Sub JV Group](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

MKJ Tradex Ltd (MKJ), incorporated in 1995, belongs to the Kolkata-based Keventer group. The Keventer group has business interest in diverse sectors like steel, food processing, dairy, real estate, etc. MKJ is promoted by Mr. Mahendra Kumar Jalan and is a consignment agent of Mukand Ltd (ML) for stainless steel (SS) industrial products like wires, wire rods, and bright bars. The operations of MKJ are managed by Mr. M.K. Jalan, a management graduate from Harvard Business School.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	757.09	812.65
PBILDT	21.53	27.62
PAT	9.01	11.77
Overall gearing (times)	1.15	1.07
Interest coverage (times)	1.58	1.82

A: Audited, Prov.: Provisional; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL Ratings has maintained the rating of MKJ under 'Issuer Not Cooperating' category vide press release dated July 13, 2023 due to non-furnishing of requisite information for monitoring of rating.

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	80.00	CARE BBB; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	80.00	CARE BBB; Stable	-	1)CARE BBB; Stable (04-Aug-23)	1)CARE BBB; Stable (03-Aug-22)	1)CARE BBB; Stable (05-Jan-22)

LT: Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities- Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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