

KV Metacorp LLP

December 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.00	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	47.36 (Enhanced from 32.89)	CARE BB+; Stable / CARE A4+	Reaffirmed
Short Term Bank Facilities	0.60 (Enhanced from 0.40)	CARE A4+	Reaffirmed
Long Term / Short Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of KV Metacorp LLP (KVM) continues to remain constrained on account of its leveraged capital structure and weak debt coverage indicators. The ratings are also constrained by its presence in a highly competitive and fragmented trading industry, susceptibility of its profitability to material prices and limited liability partnership nature of constitution.

The ratings, however, continues to derive strength from experienced partners, location advantage being present in Alang region and focus on trading high value metal scrap items with diversified supplier and customer base having varied industries applications. The ratings also consider moderate scale of operations along-with improvement in profitability during FY24 (Audited, FY refers to the period from April 1 to March 31).

Further, CARE Ratings Limited (CARE Ratings) has withdrawn the outstanding ratings of 'CARE BB+; Stable/ CARE A4+' assigned to one of the bank facilities of KVM with immediate effect as the facility is fully repaid and there are no dues outstanding against the same.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations marked by total operating income (TOI) of Rs.350 crore or more while maintaining its healthy ROCE levels.
- Improvement in overall gearing below 1.5x on a sustained basis.

Negative factors

- Significant decline in scale of operations with TOI falling below Rs.150 crore and PBILDT margin below 3% on a sustained basis.
- Deterioration in the overall gearing to more than 3.5 times and interest coverage below 2 times on sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings expects the entity would continue to benefit from the extensive experience of the partners in the industry along with location advantage with presence in Alang region.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure and weak debt coverage indicators

The capital structure of KVM improved although remained leveraged marked by overall gearing at 2.73x as on March 31, 2024, from 3.09x in FY23, on account of accretion of profits to reserves. Its total debt increased to Rs.42.23 crore as on March 31, 2024 (PY: Rs.36.22 crore) to support its growing scale of operations. The debt coverage indicators of the firm stands weak with total debt to GCA at 10.51x (PY:9.32x). Further, PBILDT interest coverage remains moderate at 2.13x as on FY24 (PY:2.42). Its net worth base increased to Rs.15.46 crore as on March 31, 2024 from Rs.11.71 crore as on March 31, 2023.

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

Presence in competitive and fragmented industry

Trading industry is a very fragmented and competitive space with presence of large number of small players operating in the same region due to low capital requirement. In such a competitive scenario smaller firm like KVM in general are more vulnerable on account of its limited pricing flexibility.

Susceptibility of profitability to fluctuation in prices of traded goods

The prices of goods (i.e., non-ferrous alloys, nickel & steel) are highly volatile. The cost of goods constitutes major cost driver for the firm which accounts for ~90% of the total cost of sales. Accordingly, any volatility in the prices of the traded goods is likely to have an impact on the profitability of the firm. However, firm manages the volatility by having back-to-back arrangement for majority of procurement and builds up higher margin in high value alloys.

Limited liability partnership (LLP) nature of constitution

KVM's constitution as a LLP which restricts its overall financial flexibility in terms of limited access to external fund and ability to absorb losses or financial exigencies. Furthermore, there is an inherent risk of possibility of withdrawal of capital.

Key strengths

Moderate scale of operations with improvement in margins in FY24

Firm trades in Stainless Steel, Non-ferrous metals and high value alloys which forms 45%, 19% and 36% of TOI respectively in FY24. Firm generates ~65% of its revenue from domestic market and balance from export market in FY24. Its TOI remains moderate at Rs.197.65 crore in FY24 as against Rs.219.30 crore in FY23. The slight moderation in its TOI is due to a decrease in its sales from stainless steel grade division which was partially offset by increased sales of special high temperature and titanium alloys. The profitability of the firm improved marked by PBILDT margin of 5.67% in FY24 as compared to 4.51% in FY23 with higher sales proportion of better margin products (36% of TOI in FY24 as compared to 24% in FY23; 14% in FY22) like special high temperature alloys along with increased sales to foundries.

Focus on trading high value metal scrap items with diversification of its customer base and supplier base

Started in April 2020 by promoters of Shree Krishna Enterprises (SKE), KVM is engaged in trading of stainless steel and non-ferrous metals and high value alloys scrap. It purchases material from Alang which is India's largest ship breaking yard as well as diversified its supplier base with imports from Middle East & UAE, USA, Taiwan, Japan, Korea, and China. The firm sells its product in the domestic market in within Gujarat and Coimbatore, Tamil Nadu. Its major customers are foundries and Stainless-steel manufacturers (AOD plant). It also exports multiple countries to Europe, Japan, Korea, and Taiwan among others with exports forming ~35% of TOI in FY24. In last two years firm has added new customers as well as suppliers in various regions.

Location advantage of being present in Alang region

KVM has three warehouses located in Alang region. The two warehouses are approximately 5 kilometres away from Alang shipyard, Bhavnagar. KVM has added one warehouse facility taken on lease from partners of KVM for its non-ferrous and high value alloys segment (Land is of 5-acre and consists of 82,000 square meters of constructed building). Alang is one of the world's largest ships breaking yard, recycling approximately one fourth of all ships salvaged around the world. Hence, KVM's presence in the shipbreaking hub has benefitted it in terms of easy availability of raw materials and labour.

Experienced partners

KVM is promoted by Mr. Vinodrai Amarshibhai Monpara, Mr. Kishorkumar Amarshibhai Monpara having extensive experience of over a decade in the trading industry through SKE which was established 15 years ago and is engaged in trading of stainless-steel grade materials. Mr. Pratik Dave joined KVM as CFO in 2021, prior to that he was with Neptunus Power Plant Services and was handling exports division. Effective from April 01, 2022, Mr. Pratik Dave has become one of the partners in the firm and looks after overall operations of the firm.

Liquidity: Adequate

KVM's liquidity is marked adequate on account of GCA of Rs.4 crore during FY24 against which the company has minimal debt repayments. The current ratio stood at 1.20 times as on March 31, 2024. The maximum average working capital utilization for fund-based limits for the past 12-months period ending May-2024 is around ~66%. KVM has reported positive cash flow from operations during FY24 at Rs.4.48 crore as against negative Rs.6.02 crore in FY23. However, its free cash and bank balance remained low at Rs.0.08 crore as on March 31, 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Wholesale Trading](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Metals & Minerals Trading	Trading - Metals

KV Metacorp LLP was established as a partnership firm on April 01, 2020, by Mr. Vinodrai Amarshibhai Monpara and Mr. Kishorkumar Amarshibhai Monpara and family members. Later, it was converted into Limited Liability Partnership on April 09, 2021. Also, Mr. Pratik Dave has joined as partner on April 1, 2022. KVM specializes in recycling stainless steel, non-ferrous metals, high-temperature special alloys, titanium, and titanium Alloys in domestic and export market. Earlier partners were involved in trading of metals through Shree Krishna Enterprises (SKE) for 14 years whose majority of business is transferred to KVM.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	219.30	197.65
PBILDT	9.90	11.21
PAT	3.61	3.51
Overall gearing (times)	3.09	2.73
Interest coverage (times)	2.42	2.13

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-09-2029	2.00	CARE BB+; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	47.36	CARE BB+; Stable / CARE A4+
Non-fund-based - LT/ ST-BG/LC		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Credit Exposure Limit		-	-	-	0.60	CARE A4+

Annexure-2: Rating history for 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/ ST-Cash Credit	LT/ST	47.36	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (06-Oct-23)	1)CARE BB; Stable / CARE A4+ (07-Oct-22)	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	-	-	-	1)CARE BB+; Stable / CARE A4+ (06-Oct-23)	-	-
3	Non-fund-based - ST-Credit Exposure Limit	ST	0.60	CARE A4+	-	1)CARE A4+ (06-Oct-23)	-	-
4	Fund-based - LT-Term Loan	LT	2.00	CARE BB+; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple
4	Non-fund-based - ST-Credit Exposure Limit	Simple

Annexure-5: Lender details

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

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

Contact us

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About us:

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