

December 28, 2015

Facilities	Amount (Rs. Crore)	Ratings
Packing Credit	4.00	SMERA A4+ (Assigned)
FDB/FBE	1.00*	SMERA A4+ (Assigned)
Term Loan	0.95	SMERA BB/Stable (Assigned)
Fund Based (Proposed)	2.55	SMERA A4+ (Assigned)

\* Includes duty drawback upto Rs.0.15 crore as a sublimit to FDB/FBE

SMERA has assigned a rating of '**SMERA BB (read as SMERA double B)**' to the Rs.0.95 crore long term bank facility and '**SMERA A4+ (read as SMERA A four plus)**' to the Rs.7.55 crore short term facility of Kay Hardware. The outlook is '**Stable**'. The ratings draw comfort from the firm's moderate financial profile and healthy profitability indicators. The ratings also take into account the long track record of operations and experienced management. However, the ratings are constrained by the small scale of operations and geographical concentration risk. The ratings are also constrained due to working capital intensive operations, susceptibility of profit margins to volatility in raw material prices and exchange rates.

### Outlook: Stable

SMERA believes that the outlook for the company will remain stable over the medium term due to the experienced promoters. The outlook may be revised to 'Positive' if the firm achieves improvement in the capital structure and coverage indicators. Conversely the outlook may be revised to 'Negative' in case of lower-than-expected revenues and profitability or deterioration in the capital structure.

### Rating Sensitivity Factors

- Scaling up of revenue while maintaining profit margins
- Efficient working capital management
- Improvement in the capital structure

### About the Firm

Kay Hardware, established in 1999 is an Uttar Pradesh-based hardware manufacturer and exporter of brass door handles, brass handrail brackets, brass door knockers, iron door bolts among others. The firm is promoted by Mr. Mahesh Agarwal, Mr. Piyush Agarwal and Mr. Mayank Agarwal and the manufacturing facility is located at Aligarh, Uttar Pradesh.

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For FY2014–15, KH reported profit after tax (PAT) of Rs.1.91 crore on operating income of Rs.19.09 crore, as compared with PAT of Rs.2.27 crore on operating income of Rs.15.65 crore in FY2013–14.

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