

Press Release

K. K. Corporation (K.K.)

23 September, 2017

Rating Reaffirmed



Total Bank Facilities Rated	Rs. 6.50 crore
Long Term Rating	SMERA BB-/Stable (Reaffirmed)

* Refer Annexure for details

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (read as SMERA double B minus) on the above bank facilities of K. K. Corporation (K.K.). The outlook is '**Stable**'.

K.K. is a Mumbai-based partnership firm established in 2007 by Mr. Prakash Soni and Shailesh Soni. The firm undertakes interior decoration contracts and caters to hotels, banks, offices and several others.

List of key rating drivers and their detailed description:

Strengths

Experienced management and reputed customer base: K.K. benefits from its experienced management. The partner's viz. Mr. Prakash Soni and Shailesh Soni possesses over three decades of experience in executing turnkey projects in interior work. K.K. has a reputed customer base having undertaken projects for Ruby Mills Private Limited, Ireo Skyon, Interglobe Hotels Private Limited, L&T/IGATE, HSBC Bank and UTV News Limited among others.

Moderate financial risk profile: K.K. has a moderate financial risk profile marked by tangible networth of Rs. 3.18 crore as on 31 March, 2017 (Provisional) which increased from Rs.1.35 crore as on 31 March, 2016. The gearing stood at 0.16 times as on 31 March, 2017 (Provisional) compared to 0.25 times as on 31 March, 2016. The total debt of Rs.0.50 crore as on 31 March, 2017 (Provisional) is working capital funding from the bank. Further, the interest coverage ratio stood at 12.35 times in FY2016-17 (Provisional) as against 39.99 times in FY2015-16. The financial risk profile is expected to remain moderate in the medium term in the absence of long term debt funded capex.

Weaknesses

Small scale of operations and declining profitability: K.K. operates on a small scale with revenue of Rs.13.50 crore in FY2016-17 (Provisional) as against Rs.13.82 crore in FY2015-16. Further, the firm has orders in hand worth Rs. 5.00 crore. The EBITDA margin declined to 4.20 percent in FY2017 (Provisional) from 8.41 percent in FY2016 mainly due to fluctuations in raw material prices.

Highly fragmented and competitive industry: K.K. operates in a highly competitive and fragmented industry.

Risk of capital withdrawal: The firm is exposed to risk of capital withdrawal considering the

partnership constitution of the firm.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of K.K. to arrive at the rating.

Outlook: Stable

SMERA believes that K.K. will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues while improving profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profit margins.

About the rated entity - Key financials

For FY2016–17 (Provisional), K.K. reported profit after tax (PAT) of Rs.0.55 crore on operating income of Rs.13.50 crore, as against profit of Rs.1.11 crore on operating income of Rs.13.82 crore in FY2015–16. The net worth stood at Rs.3.18 crore as on 31 March, 2017 (Provisional) compared to Rs.1.35 crore a year earlier.

Applicable Criteria

- Services Entity: <https://www.smerra.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
18 May, 2016	Bank Guarantee	Long Term	6.50	SMERA BB-/ Stable (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Bank Guarantee	NA	NA	NA	6.50	SMERA BB-/ Stable (Reaffirmed)

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ABOUT SMERA

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