

## Press Release

K. K. Corporation

August 16, 2018



### Rating Downgraded and Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 7.00 Cr. (Enhanced from Rs.6.50 crore)
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable (Downgraded from ACUITE BB-/ Stable)

\* Refer Annexure for details

### Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE B** (read as **ACUITE B**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.6.50 crore bank facilities and assigned the long term rating of '**ACUITE B** (read as **ACUITE B**) on the Rs.0.50 crore bank facilities of K. K. Corporation. The outlook is '**Stable**'.

The downgrade is driven by significant capital withdrawal in FY2017 along with year-on-year decline in the revenue and profitability of the firm.

K. K. Corporation (KKC) 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 among others.

### Key Rating Drivers

#### Strengths

- **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.

#### Weaknesses

- **Average financial risk profile marked by capital withdrawal**

KKC has average financial risk profile marked by low net worth of Rs.0.16 crore as on 31 March 2018 (provisional) as against Rs. (0.47) crore as on 31 March 2017 on account capital withdrawal of Rs. 1.82 crore by the partners. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 23.73 times as on 31 March, 2018 (Provisional) as against (8.59) times as on 31 March, 2017. Acuité expects capital infusion by the partners in order to improve the financial risk profile of the company will remain key rating sensitivity.

- **Modest scale of operations marked by declining revenue trend**

KKC registered revenue of Rs.7.87 crore in FY2018 (provisional) as against Rs.12.72 crore in FY2017 as against Rs.13.82 crore in FY2016. The operating margins stood at Rs.5.79 percent in FY2014 (Provisional) as against Rs.5.98 percent in FY2017 mainly on account of increase in the raw material prices.

- **Highly fragmented and competitive industry:**

KKC operates in a highly competitive and fragmented industry characterised by a large number of organised as well as unorganised players affecting margins.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the KKC to arrive at this rating.

### Outlook: Stable

Acuité believes that KKC 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 or further withdrawal of capital leading to deterioration of financial risk profile of the firm.

### About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.87	12.72	13.82
EBITDA	Rs. Cr.	0.46	0.76	0.86
PAT	Rs. Cr.	0.44	0.70	0.81
EBITDA Margin	(%)	5.79	5.98	6.24
PAT Margin	(%)	5.61	5.53	5.87
ROCE	(%)	458.32	89.96	43.23
Total Debt/Tangible Net Worth	Times	-	(1.10)	0.25
PBDIT/Interest	Times	12.67	9.96	29.67
Total Debt/PBDIT	Times	-	0.65	0.40
Gross Current Assets (Days)	Days	185	99	72

### Status of non-cooperation with previous CRA (if applicable)

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities in the service sector - <http://acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
23-Sep-17	Bank Guarantee	Long Term	6.50	ACUITE BB-/Stable (Reaffirmed)
18-May-16	Bank Guarantee	Long Term	6.50	ACUITE 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
Overdraft	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE B/Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE B/Stable (Downgraded from ACUITE BB-/Stable)

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**About Acuité Ratings & Research:**

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