

Press Release

King Kaveri Trading Company (KKTC)

February 20, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.19.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of **SMERA BB- (read as SMERA double B minus)** on the Rs.19.00 crore bank facilities of KKTC. The outlook is '**Stable**'.

KKTC was established in 2005 as a partnership firm by Mr. Suresh Arora and Mr. Shashikant Kumbhar. The firm is an exclusive distributor of axles and wheel rims for Guangdong Fuwa Engineering Group Co. Limited and Xiamen Sunrise Wheel Group Co. Limited in India.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The partners, Mr Suresh Arora and Mr Shashikant Prabhakar possess more than three decades of experience in the same line of business.

Healthy revenue growth: The firm has reported operating income of Rs.110.74 crore in FY2015-16 as against Rs.92.82 crore in FY2014-15. The operating income grew by 19.30 per cent in 2016 and 82.92 per cent in 2015. The growth in revenue was due to increase in demand from end-users.

Weaknesses:

Average financial risk profile: The gearing (debt to equity) ratio stood at 1.57 times as on 31 March, 2016. The Interest coverage ratio stood at 1.27 times for FY2015-16 as compared to 1.60 times in the previous year. The DSCR stood at 1.22 times for FY2015-16 as compared to 1.48 times in the previous year.

Working capital intensive operations: The operations are working capital intensive reflected in the working capital cycle of 112 days and gross current asset (GCA) days of 130 that emanate from debtors of 47 days and inventory holding of 69 days in FY2016.

Highly competitive industry: KKTC operates in the highly competitive automobile equipment industry with several organised and unorganised players which limit the bargaining power of the firm.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of KKTC.

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook – Stable

SMERA believes that KKTC will maintain a stable outlook and benefit over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected revenues and profitability while improving its financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirements.

About the Rated Entity

KKTC was established as a partnership firm by Mr. Suresh Arora and Shashikant Kumbhar in 2005. The firm is an exclusive distributor of axles and wheel rims for Guangdong Fuwa Engineering Group Co. Limited and Xiamen Sunrise Wheel Group Co. Limited in India.

The promoters have more than three decades of experience in the aforementioned business. The registered office is located at Navi Mumbai.

For FY2016, KKTC reported profit after tax of Rs.0.38 crore on net sales of Rs.110.74 crore as compared with profit after tax of Rs.0.35 crore on net sales of Rs.92.82 crore in the previous year. The Tangible Net worth for FY2016 stood at 12.48 crore.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating history for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	19.00	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
Cash Credit	N.A	N.A	N.A	19.00	SMERA BB-/Stable (Assigned)

**Includes sublimit of Buyer's credit of Rs.8.00 crore*

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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