

Press Release

Kay Bee Enterprises

April 27, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 7.20 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 7.20 crore bank facilities of Kay Bee Enterprises. The outlook is '**Stable**'.

Kay Bee Enterprises (KBE) was established in 2007 by Mr. Sohanraj Khajanchi, Mrs. Shashi Khajanchi, Mr. Nitesh Khajanchi and others. The firm acquired dealership of Cadbury's, Adidas and Reebok for distribution of chocolates, footwear, garments to name a few.

Key Rating Drivers

Strengths

- Experienced management and operational track record**

The firm was established in 2007. The partners possess around two decades of experience in the industry.

- Association with reputed brands**

The firm is an authorised dealer of Cadbury products in South Mumbai. It is also a distributor of Adidas and Reebok products in several states including Maharashtra, Madhya Pradesh, Gujarat and Punjab. KBE also supplies Reebok and Adidas' products to Metro malls across India.

Weaknesses

- Moderate scale of operations**

KBE has moderate scale of operations with revenue of around of Rs. 34.53 cr in FY2016 as compared to Rs.32.61 cr in FY2015.

- Moderate financial risk profile**

The financial risk profile is marked by low gearing of 0.88 times as on March 31, 2016 compared to 0.82 times as on March 31, 2015. KBE has moderate interest coverage indicators which stood at 1.14 times for FY2016 as compared to 2.53 times in FY2015. The net cash accruals stood at Rs. 0.09 cr in FY2016 as compared to Rs. 0.57 cr in FY2015. The RoCE stood at 5.67 percent in FY2016 as against 8.49 percent in the previous year. The tangible net worth stood at Rs.6.82 cr in FY2015-16 as against Rs. 6.17 cr in FY2014-15.

- Low profitability**

The low profitability is owing to the trading nature of business as reflected in the EBITA margin of 0.65 percent in FY2016 as compared to 0.73 percent in FY2015. Also, PAT margins stood at 0.17 percent in FY2016 and 1.56 percent in FY2015. The PAT margins are mainly supported by interest income from investments in Magpie Retails Internationals (engaged in designing and manufacturing of modular kitchens). Going forward, the PAT margin is expected to be in the range of ~0.15-0.25 percent owing to the increased interest obligation of the newly disbursed CC limit.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the entity.

Outlook: Stable

SMERA believes that KBE will maintain a stable outlook owing to the extensive experience of the promoters in the business. The outlook may be revised to 'Positive' if the firm is able to improve on its overall financial risk profile or scale up operations with improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration in the overall gearing or further weakening of profitability margins.

About the Rated Entity - Key Financials

For FY2015-16, KBE reported profit after tax (PAT) of Rs. 0.06 cr on operating income of Rs. 34.53 cr as against PAT of Rs. 0.51 cr on operating income of Rs.32.61 cr in the previous year. The net worth stood at Rs.6.82 cr as on March 31, 2016 as compared to Rs.6.17 cr as on March 31, 2015.

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

The ratings have been withdrawn due to lack of adequate information. Ind-Ra will no longer provide ratings or analytical coverage for KBE.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.20	SMERA B / Stable

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