

Press Release

Kay Kay Overseas Corporation (KKOC)

May 03, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.81.00 Cr
Long Term Rating	SMERA BB+/Stable (Assigned)
Short Term Rating	SMERA A4+(Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and the short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.81.00 crore bank facilities of Kay Kay Overseas Corporation (KKOC). The outlook is '**Stable**'.

KKOC, established in 1995, is a Mumbai-based authorised dealer for laptops and peripherals of Dell and Lenovo.

List of key rating drivers and their detailed description

Strengths

Experienced management and exclusive authorised dealer of Dell : Mr. Sharad Khandelwal, Partner, possesses experience of over two decades in the trading of technology products.

Further, the firm has been an exclusive authorised dealer of Dell products since 2008 for Mumbai and for the whole of Maharashtra (except Vidarbha) since December 2016.

Healthy interest coverage: Though the firm has low profitability on account of its trading nature of business, the interest coverage stood comfortable at 3.16 times in FY2016. SMERA believes that the same will continue to remain at comfortable levels in medium term.

Weaknesses

High total outside liabilities to tangible net worth: The firm has high total outside liabilities to tangible networth ratio of 5.10 times in FY2016, a deterioration from 3.97 times in FY2015 mainly on account of increase in trade payable of Rs.49.07 crore as on 31 March, 2016 as against Rs.21.01 crore in the previous year.

Supplier Concentration: The firm is exposed to supplier concentration risk since 90 per cent of revenue is generated from Dell. However, Dell's strong market share and brand name partially mitigate the risk.

Low profitability: The operating margins stood low at 2.36 per cent in FY2016 due to the trading nature of business. Further, intense competition from other brands including Apple, Acer, Hewlett-Packard to name a few also restrict the margin flexibility.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the firm to arrive at the ratings.

Applicable Criteria

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

Outlook: Stable

SMERA believes that KKOC will maintain a stable outlook over the medium term owing to its promoters' extensive experience and association with Dell. The outlook may be revised to 'Positive' in case the firm registers substantial increase in scale of operations while maintaining comfortable operating profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of failure to achieve the projected scalability in revenues or if the firm registers deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity

KKOC was established in 1995 as a partnership firm by Mr. Sharad Khandelwal and Mrs. Vidhi Khandelwal. The firm, apart from being an authorised dealer for laptops and peripherals of Dell in Maharashtra, also supplies to large format retail stores pan-India.

Further, the firm has three Dell retail stores in Bandra, Thane and Navi Mumbai. It has also tied-up with Lenovo for laptops; however the revenue is less than 10 per cent.

For FY2015-16, KKOC reported net profit after tax (PAT) of Rs.4.48 crore on operating income of Rs.389.21 crore, as compared to net profit after tax (PAT) of Rs.3.82 crore on operating income of Rs.368.29 crore in FY2014-15. As per the provisional figures, the firm has earned revenues of Rs.335.47 crore during April to December, 2016.

Status of non-cooperation with previous CRA (if applicable): ICRA in the press release dated July 24, 2015 has suspended the rating of Kay Kay Overseas Corporation and has stated the following "The suspension follows ICRA's inability to carry out a rating surveillance in the absence of requisite information from the company."

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
Bank Guarantee	ST	15.00	SMERA A4+ (Assigned)	-	-	-	-	-	-
Proposed Channel Finance Facility	LT	66.00	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. Cr)	Ratings/ Outlook
Bank Guarantee	NA	NA	NA	15.00	SMERA A4+ (Assigned)
Proposed Channel Finance Facility	NA	NA	NA	66.00	SMERA BB+/Stable (Assigned)

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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