

Press Release

K K AUTOMOTIVE PRIVATE LIMITED

March 29, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-** (read as **SMERA BB minus**) on the Rs. 10.00 crore bank facilities of K K AUTOMOTIVE PRIVATE LIMITED. The outlook is '**Stable**'.

Raipur-based, KKAPL was initially a proprietorship firm established in 2002 and converted into private limited company in FY 2008. It is led by Mr. Kailash Bajaj and Mrs. Rekha Devi Bajaj, engaged in trading of automobile parts and food grains. Major portion of revenue comes from trading of food grains and salt.

Key Rating Drivers

Strengths

- **Steep increase in revenue**

The revenue has improved sharply from Rs. 6.61 crore in FY 2015-16 to Rs. 43.96 crore in FY 2016-17 which is mainly due to increase in trading of food grains. Further the order book stands at Rs. 230.00 crore for supply of food grains to customers like NACOF (National Federation of Farmers' Procurement, Processing & Retailing Cooperative of India Ltd.) for FY17-18.

- **Experienced management**

KKAPL is led by Mr. Kailash Bajaj who possesses extensive experience in trading of more than 15 years.

Weaknesses

- **Weak financial risk profile**

The company's financial risk profile is weak marked by tangible net worth of Rs. 2.91 crore as on 31 March, 2017 compared to Rs. 2.86 crore as on 31 March, 2016. The debt to equity stood at 1.53 times as on 31 March, 2017 as against 1.97 times in the previous year. The Interest Coverage Ratio stood at 1.21 times and Debt Service Coverage ratio (DSCR) stood at 1.18 times as on March 31, 2017.

- **Competitive and fragmented industry**

The business of trading food grain is highly competitive and fragmented due to presence of several organised and unorganised players. The EBITDA and PAT margins of the company were low at 1.91 per cent and 0.13 per cent respectively in FY2017 compared to 15.47 per cent and 0.59 per cent in FY 2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of KKAPL to arrive at the rating.

Outlook: Stable

SMERA believes the outlook will remain stable over the medium term on account of its promoter's experience in the trading segment. The outlook may be revised to 'Positive' if the company registers higher than expected growth in profitability margins while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of company registers deterioration in its financial risk profile and profitability margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	43.96	6.61	7.96
EBITDA	Rs. Cr.	0.84	1.02	1.16
PAT	Rs. Cr.	0.06	0.04	0.04
EBITDA Margin	(%)	1.91	15.47	14.51
PAT Margin	(%)	0.13	0.59	0.48
ROCE	(%)	10.17	10.19	19.60
Total Debt/Tangible Net Worth	Times	1.53	1.97	2.75
PBDIT/Interest	Times	1.21	1.16	1.22
Total Debt/PBDIT	Times	5.10	5.32	6.55
Gross Current Assets (Days)	Days	69	433	491

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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	10.00	SMERA BB- / Stable

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