

Press Release

K K Automotive Private Limited

February 07, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr. (Enhanced from Rs. 10.00 Cr)
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (read as ACUITE double B minus) to the Rs. 09.00 crore bank facilities and assigned long term rating of '**ACUITE BB-**' (read as ACUITE double B minus) to the Rs. 11.00 bank facilities of K K Automotive Private Limited (KKPL). The outlook is '**Stable**'.

Raipur-based, KKPL was incorporated in as a private limited company in 2008 by Mr. Kailash Bajaj and Mrs. Rekha Devi Bajaj. The company is engaged in wholesale trading of food grains. KKPL was initially a proprietorship firm established in 2002.

Analytical Approach

Acuité has considered standalone business and financial risk profile of KKPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoter has extensive experience of more than three decades in the trading business. The long standing presence of the company has resulted in building healthy relationship with customers and suppliers. At present, it caters to Chhattisgarh government on behalf of National Federation of Farmers' Procurement, Processing and Retailing Cooperatives of India Limited (NACOF).

Weaknesses

- **Moderate financial risk profile**

The company has moderate financial risk profile marked by modest net worth of Rs.3.51 crore as on March 31, 2018 as compared to Rs.2.91 crore as on March 31, 2017. The gearing stood moderate at 1.33 times as on March 31, 2018 as compared to 1.53 times as on March 31, 2017. The total debt of Rs.4.66 crore as on March 31, 2018 is working capital borrowing from bank. The interest coverage ratio stood moderate at 2.23 times as on March 31, 2018 as compared to 1.21 times as on March 31, 2017.

Acuité believes that the financial risk profile is expected to improve over the medium term in the absence of debt funded capex while maintaining revenue growth.

- **Decline in profitability**

The profitability margin has declining over the period under study. The EBITDA declined to 0.52 percent in FY 17-18 as compared to 1.91 percent in FY17 and 15.47 percent in FY16. The decline in margins is due to change in revenue mix as earlier KKPL was engaged in trading of automobile spare parts till FY 17; however from FY 18, it is exclusively engaged in trading of food grains and sugar.

Liquidity position:

KKPL has moderate liquidity marked by healthy net cash accruals with nil long term debt obligations. The company generated cash accruals of Rs.0.13-0.47 crore during the last three years through 2017-18. The operations are moderately working capital intensive as marked by gross current asset (GCA) days of 66 in FY 2018. This has led to moderate reliance on working capital borrowings; the cash credit limit remains utilised at 75 percent during the last 12 months period ended December 2018. KKPL maintained unencumbered cash and bank balances of Rs.6.01 crore as on March 31, 2018. The current ratio of the group stood weak at 0.99 times as on March 31, 2018. Acuité believes that the liquidity is likely to remain moderate over the medium term on account of healthy cash accrual and nil long term loan repayments over the medium term. Further, KKPL has no capex plan in the near to medium term.

Outlook: Stable

Acuité believes that the outlook on KKPL's facilities 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 and capital structure. Conversely, the outlook may be revised to 'Negative' in case the company registers significant deterioration of its financial risk profile due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	224.92	43.96	6.61
EBITDA	Rs. Cr.	1.18	0.84	1.02
PAT	Rs. Cr.	0.41	0.06	0.04
EBITDA Margin	(%)	0.52	1.91	15.47
PAT Margin	(%)	0.18	0.13	0.59
ROCE	(%)	14.88	10.17	10.19
Total Debt/Tangible Net Worth	Times	1.33	1.53	1.97
PBDIT/Interest	Times	2.23	1.21	1.16
Total Debt/PBDIT	Times	3.84	5.10	5.32
Gross Current Assets (Days)	Days	66	69	433

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
29-Mar-2018	Cash Credit	Long Term	10.00	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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BB- / Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BB- / Stable (Assigned)

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About Acuité Ratings & Research:

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