

Press Release

Kay Kay Trading Company

June 20, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.75 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 14.75 crore bank facilities of Kay Kay Trading Company. The outlook is '**Stable**'.

Kay Kay Trading Co. (KKTC) set up in 1988, is a partnership firm by Mr. Manoj Khetan, Mrs. Sunita Khetan and Mr. Nishit Khetan. It is engaged in trading of gypsum to cement companies. Previously, the firm was engaged in trading of bearings which has now been discontinued.

Key Rating Drivers

Strengths

- **Significant growth in revenue**

The firm has reported significant revenue growth year-on-year. It reported operating income of Rs.60.50 crore in FY2017 as against Rs.9.31 crore in FY2016. Further, KKTS generated revenue of Rs.201.00 crore (Provisional) in FY2018. The significant revenue growth has been attributed to shift in their business from trading of bearings to Gypsum. The nation's gypsum utilisation is rising due to rapid infrastructural developments.

- **Efficient working capital management**

KKTC is efficiently managing its working capital which is evident from the Gross Current Asset (GCA) days of 78 in FY2017 and 212 in FY2016. This is mainly on account of decrease in debtor days of 54 in FY2017 and 151 in FY2016. The firm's average bank limit utilisation for the last six months till March, 2018 stood at ~70 percent.

Weaknesses

- **Limited track record of operations in trading of gypsum**

KKTC has limited track record of operations in gypsum trading as the firm commenced trading of gypsum in June, 2016. Previously, the firm was engaged in trading of bearings since 1988. Hence, the partners have limited experience in trading of gypsum. The overall experience of the partners is around three decades in trading industry.

- **Exposure to the inherent cyclicity in the industry**

The rating is constrained by the inherent cyclicity in the infrastructure sector and subdued outlook for cement industry. Moreover, the prospects of Kay Kay Trading Co. are linked to the overall demand of gypsum.

- **Partnership constitution**

The partnership constitution of the firm makes it vulnerable to the risk of capital withdrawal.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Kay Kay Trading Co. to arrive at the rating.

Outlook: Stable

Acuite believes that Kay Kay Trading Co. will maintain a 'Stable' outlook over the medium term owing to its experienced management and increased demand of products. The outlook may be revised to 'Positive' in case the firm registers significant growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or deterioration in the capital structure and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	60.50	9.31	8.77
EBITDA	Rs. Cr.	2.32	0.55	0.50
PAT	Rs. Cr.	1.84	0.33	0.28
EBITDA Margin	(%)	3.84	5.92	5.69
PAT Margin	(%)	3.05	3.55	3.17
ROCE	(%)	35.11	13.04	24.18
Total Debt/Tangible Net Worth	Times	1.05	0.78	0.89
PBDIT/Interest	Times	7.85	14.26	7.72
Total Debt/PBDIT	Times	1.94	3.25	3.66
Gross Current Assets (Days)	Days	78	212	202

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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)

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	7.00	ACUITE BBB- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A3

Contacts

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About Acuité Ratings & Research:

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