

Press Release

Kay Kay Trading Company

August 02, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs. 14.75 Cr.
Long Term Rating	ACUITE BBB/ Stable (Upgraded from ACUITE BBB-)
Short Term Rating	ACUITE A3+ (Upgraded from ACUITE A3)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BBB**' (read as ACUITE triple B) from '**ACUITE BBB-**' (read as ACUITE triple B minus) and short term rating to '**ACUITE A3+**' (read as ACUITE A three plus) from '**ACUITE A3**' (read as ACUITE A three) on the Rs. 14.75 crore bank facilities of Kay Kay Trading Company (KKTC). The outlook is **Stable**.

The upgrade is driven by significant growth in revenues and overall performance being better than Acuité's expectations. There has been an increase in scale of operations while maintaining strong liquidity position.

KKTC, set up in 1988, is a partnership firm promoted by Mr. Manoj Khetan, Mrs. Sunita Khetan and Mr. Nishit Khetan. It is engaged in the trading of gypsum. Previously, the firm was engaged in trading of bearings which has now been discontinued.

Analytical Approach

Acuité has considered the standalone business risk profile of KKTC to arrive at the rating.

Key Rating Drivers

Strengths

Significant growth in revenue

The firm has reported significant revenue growth year-on-year. It has reported operating income of Rs. 354.91 crore in FY2019 (Provisional) as against Rs. 201.42 crore in FY2018 and Rs. 60.50 crore in FY2017. The significant revenue growth has been attributed to shift in their business from trading of bearings to trading of gypsum. The nation's gypsum utilisation is rising due to rapid infrastructural developments.

Weaknesses

Exposure to the inherent cyclical in the industry

The rating is constrained by the inherent cyclical in the infrastructure sector and subdued outlook for cement industry. Moreover, the prospects of KKTC 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.

Liquidity Position:

The liquidity position is adequate with high net cash accruals vis-à-vis low debt repayment obligations. KKTC is efficiently managing its working capital which is evident from the working capital cycle of 21 days in FY2019. The current ratio as on March 31, 2019 stood at 2.69 times. The unencumbered cash and bank balance of the firm stood at Rs. 1.76 crore as on March 31, 2019.

Outlook: Stable

Acuité 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	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	354.91	201.42	60.50
EBITDA	Rs. Cr.	15.84	8.20	2.32
PAT	Rs. Cr.	10.08	4.42	1.84
EBITDA Margin	(%)	4.46	4.07	3.84
PAT Margin	(%)	2.84	2.19	3.05
ROCE	(%)	58.78	51.70	35.11
Total Debt/Tangible Net Worth	Times	0.33	1.62	1.05
PBDIT/Interest	Times	15.97	7.21	7.85
Total Debt/PBDIT	Times	0.48	1.63	1.94
Gross Current Assets (Days)	Days	37	63	78

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

None

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Trading Entities: <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.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 the Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
20-Jun-2018	Cash Credit	Long Term	7.00	ACUITE BBB-/ Stable (Assigned)
	Proposed Cash Credit	Long Term	5.00	ACUITE BBB-/ Stable (Assigned)
	Bank guarantee/ Letter of guarantee	Short Term	2.00	ACUITE A3 (Assigned)
	Proposed Bank guarantee	Short Term	0.75	ACUITE A3 (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	*11.50 (enhanced from Rs. 7.00 crore)	ACUITE BBB/ Stable (Upgraded from ACUITE BBB-)
Proposed Bank guarantee	Not Applicable	Not Applicable	Not Applicable	3.25 (enhanced from Rs. 0.75 crore)	ACUITE A3+ (Upgraded from ACUITE A3)

*sub-limit of Import/ Inland LC/BG of Rs. 2.00 crore

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Ayushi Rathore Analyst - Rating Operations Tel: 022-49294062 ayushi.rathore@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294021 rating.desk@acuite.in

About Acuité Ratings & Research:

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