



SMERA RATINGS LIMITED

Rayala Corporation Private Limited (RCPL)

*Rating
Rationale*

January 25, 2016

Facilities	Amount (Rs. Crore)	Rating
Term Loan I	70.00	SMERA B-/Stable (Assigned)
Term Loan II	17.00	SMERA B-/Stable (Assigned)
Term Loan (Proposed)	13.00	SMERA B-/Stable (Assigned)

SMERA has assigned rating of '**SMERA B-**' (read as **SMERA B minus**) to the Rs. 100.00 crore bank facilities of Rayala Corporation Private Limited (RCPL). The outlook is '**Stable**'. The rating is constrained by the company's weak financial risk profile and stretched liquidity position. However, the rating is supported by the experienced management.

Outlook: Stable

SMERA believes RCPL will maintain a stable business risk profile over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in rent receivables while improving its debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the company's financial risk profile.

Rating Sensitivity Factors

- Improvement in company's capital structure
- Scope of increasing lease rental income

About the Company

RCPL, incorporated in 1948, is promoted by Mr. Ranjit Pratap who possesses over four decades of experience in running business enterprises. Part of the Rayala Group, the company leases out commercial space in Chennai and is also engaged in multiple businesses including manufacture of automobile parts, household appliances, real estate among others.

In FY2014-15, RCPL reported net loss of Rs.1.41 crore on operating income of Rs.13.83 crore, as compared to profit after tax (PAT) of Rs.0.38 crore on operating income of Rs.13.75 crore in the previous year.

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