

Press Release

Ratanlal Radheshyam (RR)

09 March, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 10.00 Cr. (Enhanced from Rs.6.00 Cr)
Long Term Rating	SMERA BB- /Stable (Reaffirmed)

****Refer annexure for details***

SMERA has reaffirmed the long term rating to '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs. 10.00 cr. bank facilities of Ratanlal Radheshyam (RR). The outlook is '**Stable**'.

Ratanlal Radheshyam is a partnership firm set up in the year 1953 by the Heda family. The firm is engaged in the business of trading of agro related products. The firm has also started with the activity of processing of pulses in FY 2016.

Key rating drivers

Strengths

Established track record of operations and experienced management

RR was established in 1953 and promoted by Mr. JugalHeda and Mr. Sanjay Kumar Heda. The promoters have ~ 30 years of experience in trading business.

Moderate financial risk profile

RR operates with moderate financial risk profile marked by debt to equity of 1.12 times and interest coverage of 1.34 times as on March 2017. Total debt includes short term borrowing of Rs.7.69 crore as on 31 March 2017. Total networth includes unsecured loans of Rs. 1.89 crore which are subordinated by bank debts. In order to start the processing activity, the firm took the processing premises of its sister/group concern named Krushna Arjun Industries on lease.

RR has registered operating income of Rs.60.19 crore in FY2017 as against Rs.60.87 crore in FY2016. Further Till December 2017, RR has booked operating income of Rs. 53.00 crore.

Weaknesses

Working capital intensive nature of operations

RR's operations are working capital intensive marked by high Gross Current Asset (GCA) of 89 days in FY2017 compared to 95 days in FY2016. The GCA days are mainly dominated by high inventory days of 56 days in FY2017 compared to 43 days in FY2016. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Dependence on climatic conditions and raw-material price volatility

RR has Dependence on climatic conditions and raw-material price volatility.

Analytical approach:

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

Outlook – Stable

SMERA expects RR to maintain its business risk profile backed by promoters' experience. The Outlook of RR in the medium to long term would be governed by its ability to ensure substantial improvement and stability in its margins and cash accruals together with increase in its scale of operations. The outlook may be revised to 'Positive' if there is improvement and stability in the operating margins and working capital management leading to better financial flexibility. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital resulting in deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	60.19	60.87	28.47
EBITDA	Rs. Cr.	0.89	1.12	0.71
PAT	Rs. Cr.	0.22	0.22	0.14
EBITDA Margin	(%)	1.48	1.84	2.50
PAT Margin	(%)	0.36	0.35	0.50
ROCE	(%)	6.10	9.00	13.51
Total Debt/Tangible Net Worth	Times	1.12	1.09	0.50
PBDIT/Interest	Times	1.34	1.25	1.28
Total Debt/PBDIT	Times	10.78	6.67	4.85
Gross Current Assets (Days)	Days	89	95	151

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

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

Not Available

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
February 25, 2016	Cash Credit	Long Term	6.00	SMERA BB- / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00 (Enhanced from Rs.6.00 Cr)	SMERA BB- / Stable (reaffirmed)

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ABOUT SMERA

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