

Press Release

RATANLAL RADHESHYAM

June 04, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	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**) on the Rs. 10.00 crore bank facilities of RATANLAL RADHESHYAM. The outlook is '**Stable**'.

Ratanlal Radhyeshaym (RR) 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.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Ratanlal Radhesham to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

RR commenced operations from 1953. The firm is promoted by, Mr. Jugal Heda and Mr. Sanjay Kumar Heda who possess experience of more than three decades in agriculture industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. Acuité believes that RR will continue to benefit from its experienced management and established relationships with customers.

- **Moderate working capital operations**

RR has moderate working capital operations marked by Gross Current Assets (GCA) of 108 days in FY2019 (provisional) as against 124 days in FY2018. The inventory and debtors levels stood at 68 and 34 days in FY2019 (provisional) as against 79 and 36 days in FY2018, respectively. Acuité believes that the working capital requirements will continue to remain moderate over the medium term on account of the agricultural nature of the business.

Weaknesses

- **Modest scale of operations and profitability**

The firm has reported modest revenue growth with compounded annual growth rate (CAGR) of around 2.00 percent through the last three years ended 31 March, 2019 (provisional). The firm reported increase in revenue by ~41 percent with operating income of Rs.64.30 crore in FY2019 (provisional) as against operating income of Rs.45.51 crore in FY2018. Further, the operating margins of the firm declined to 1.55 percent in FY2019 (provisional) from 2.53 percent in FY2018.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by modest net worth and moderate debt protection measures and high gearing. The net worth of the company is modest at Rs.6.99 crore as on 31 March, 2019 (provisional) as against Rs.6.97 crore as on 31 March, 2018. The gearing of the firm has stood high at 1.33 times as on March 31, 2019 (provisional) as against 1.20 times as on 31 March, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.73 times as on 31 March, 2019 (provisional) as against 1.22 times as on 31 March, 2018. The Interest Coverage Ratio (ICR) stood at 1.17 times in FY2019 (provisional) as against 1.13 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at

0.02 times as on 31 March, 2019 (provisional) and as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 1.17 times for FY2019 (provisional) as against 1.13 times in FY2018. Acuité believes that the financial risk profile of RR will continue to remain moderate over the medium term on account of its modest scale of operations and net cash accruals.

• Highly fragmented and competitive industry

The firm is exposed to intense competition existent in the agro industry.

Liquidity Position

RR has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The firm generated cash accruals of around Rs.0.23 to 0.15 crore during the last four years through FY2016-19, while its maturing debt obligations were nil over the same period. The firm's working capital operations are moderate marked by gross current asset (GCA) days of 108 in FY 2019 (Provisional). The firm maintains unencumbered cash and bank balances of Rs.0.79 crore as on March 31, 2019 (Provisional). The current ratio of the firm stands at 1.57 times as on March 31, 2019 (Provisional). Acuite believes that the liquidity of the firm is likely to improve over the medium term on account of improving cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that RR will continue to benefit over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in RR's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	64.30	45.51	60.19
EBITDA	Rs. Cr.	1.00	1.15	0.89
PAT	Rs. Cr.	0.15	0.13	0.22
EBITDA Margin	(%)	1.55	2.53	1.48
PAT Margin	(%)	0.23	0.28	0.36
ROCE	(%)	6.41	7.82	6.10
Total Debt/Tangible Net Worth	Times	1.33	1.20	1.12
PBDIT/Interest	Times	1.17	1.13	1.34
Total Debt/PBDIT	Times	9.18	7.09	8.65
Gross Current Assets (Days)	Days	108	124	89

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

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.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
09-Mar-2018	Cash Credit	Long Term	10.00 (Enhanced from Rs.6.00 crore)	ACUITE BB- / Stable (Reaffirmed)
25-Feb-2016	Cash Credit	Long Term	6.00	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	10.00	ACUITE BB- / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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