

March 28, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	0.89	SMERA BBB/Stable (Assigned)
Cash Credit	15.00	SMERA BBB/Stable (Assigned)
Cash Credit (Proposed)	0.55	SMERA BBB/Stable (Assigned)
Bank Guarantee	0.50	SMERA A3+ (Assigned)
Forward Contract	0.20	SMERA A3+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BBB**' (**read as SMERA triple B**) and short term rating of '**SMERA A3+**' (**read as SMERA A three plus**) to the above mentioned bank facilities of RKBK Limited (RKBK). The outlook is '**Stable**'. The ratings are supported by the experienced management, long track record of operations and established relation with Indian Oil Corporation Ltd (IOCL). The rating is also draw support from the efficient working capital management. Further, the ratings are also strengthened by the above average financial risk profile marked by moderate gearing, healthy debt protection metrics and comfortable networth base. However, the ratings are constrained by thin profitability owing to trading nature of business, volatility in oil prices and intense market competition.

Outlook: Stable

SMERA believes that RKBK will maintain a stable outlook on account of RKBK's experienced management and longstanding relation with Indian Oil Corporation Ltd (IOCL). The outlook maybe revised to 'Positive' if the company is able to widen its marketing network resulting in healthy revenue scalability and considerable improvement in profit margins. Conversely the outlook maybe revised to 'Negative' if the financial risk profile deteriorates on account of declining revenue and profitability or if the company undertakes any debt funded capital expenditure.

Rating Sensitivity Factors

- Sustaining operating income and improving profitability margins
- Continued relations with IOCL

About the Company

RKBK, incorporated in 1976, is an authorised dealer of IOCL. The company deals in petroleum products through 80 depots and 16 petrol pumps in Utter Pradesh, Bihar and Jharkhand. It is also engaged in blending, packaging and selling of tea, tooth paste, detergent powder under the 'Dinakar' brand name.

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RKBK reported profit after tax (PAT) of Rs.1.88 crore on operating income of Rs.573.17 crore for FY2014-15, as compared with PAT of Rs.1.60 crore on operating income of Rs.585.82 crore in FY2013-14.

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