

### R. R. Business Private Limited: Assigned

Names of the Instrument	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	10.00*	SMERA BB-/Stable (Assigned)

*\*Includes sublimit of Letter of Credit of Rs. 4.00 crore*

SMERA has assigned rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.10.00 crore bank facility of R. R. Business Private Limited (RRBPL). The outlook is '**Stable**'.

The rating draws comfort from the company's experienced management, established operational track record, moderate financial risk profile and comfortable liquidity position. However, the rating is constrained by the significant decline in revenue, working capital intensive nature of operations and low profitability. The rating is also constrained by the risks associated with volatility in coal prices in a highly competitive and fragmented coal trading industry.

RRBPL, a Nagpur-based company incorporated in 2007 is engaged in the trading of coal. The company benefits from its experienced management. The promoter Mr. Ramprasad Agrawal possesses over three decades in the coal trading and distribution industry.

The company has a moderate financial risk profile marked by low gearing of 0.53 times; comfortable interest coverage ratio of 2.43 times and total liabilities to tangible networth of 1.74 times FY2014-15 (refers to financial year, April 01 to March 31). Further, the rating also factors in the company's comfortable liquidity as the average cash credit limit utilisation stands at ~4 per cent for the last six months ended on February, 2016.

However the rating is constrained by the significant decline in revenue reported in the current year. The company has reported operating income of Rs. 47.17 crore (provisional) for the 11 months ended February, 2016 as against the operating income of Rs.121.13 crore for FY2015 mainly on account of restructuring of operations. The rating is also constrained on account of working capital intensive nature of operations with gross current asset days (GCA) at 115 for FY2015. The profitability of the company is slender with PAT margins at 0.48 per cent for FY2015 and the same is exposed to risks associated with volatility in coal prices in a highly competitive and fragmented coal trading industry.

#### Rating Sensitivity Factors

- Scaling up operations while improving profitability margins
- Effective working capital management

#### Criteria applied to arrive at the rating:

- Trading Entities

#### Outlook - Stable

SMERA believes that RRBPL will maintain a stable business profile during the medium term owing to the experience of its promoters in the coal trading business. The outlook may be revised to 'Positive' if the company achieves higher than expected growth in revenue and improvement in profitability while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue, decline in profitability or if the company registers significant deterioration in its financial risk profile.

## About the Company

RRBPL, incorporated in 2007, is a Nagpur-based company engaged in the trading of coal. The company is promoted by Mr. Ramprasad Agrawal who has over three decades of experience in coal trading and distribution.

In FY2014-15, RRBPL reported profit after tax (PAT) of Rs.0.58 crore on operating income of Rs. 121.13 crore, as compared to PAT of Rs.0.52 crore on operating income of Rs.112.68 crore in the previous year. The company registered revenue of ~Rs.47.17 crore (provisional) for the 11 months ended February, 2016.

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## ABOUT SMERA

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