

Press Release

Ram Saroop Deepak Kumar

February 16, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 24.00 crore bank facilities of Ram Saroop Deepak Kumar. The outlook is '**Stable**'.

Incorporated in 1999, RSDK is a New Delhi-based firm promoted by Mr. Deepak Kumar (Proprietor). The firm is engaged in the trading of rice. Rice and other agro products are procured directly from local mandis, farmers and millers and sold to wholesalers in Delhi, Haryana and Uttar Pradesh.

Key Rating Drivers

Strengths

- **Experienced management and long standing track record of operations**

RSDK established in 1999 benefits from its experienced management. Mr. Deepak Kumar (proprietor) has more than two decades of experience in the agro trading industry.

- **Moderate Financial Risk Profile:**

The financial risk profile is marked by moderate net worth of Rs.12.27 crore as on March 31, 2016, as compared with Rs.11.72 crore a year earlier. The leverage (debt-to-equity ratio) stood at 1.52 times as on March 31, 2015 as compared to 1.73 times a year earlier. The interest coverage ratio stood at 1.36 times in FY2015-16 (refers to financial year, April 01 to March 31) as compared to 1.35 times in FY2014-15. The operating income is modest at Rs.133.50 crore in FY2015-16 as compared to Rs.134.74 crore a year earlier.

- **Proximity to rice grown area:**

RSDK is located in Narela, New Delhi, which offers proximity to rice growing regions. The firm also procures rice from mandis in Delhi, Haryana and Uttar Pradesh.

Weaknesses

- **Competitive and fragmented industry**

Rice trading is a highly competitive industry due to low entry barriers which results in intense competition from both the organised as well as unorganised players.

- **Agro climatic risks**

Paddy, the main raw material is a seasonal crop and production of the same is highly dependent upon monsoon.

Analytical Approach

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

Outlook: Stable

SMERA believes that the company will maintain a stable outlook owing to the extensive experience of the promoter in the rice trading business. The outlook may be revised to Positive in case of sustained increase in revenues and accruals while maintaining profitability. Conversely, the outlook may be revised to Negative in case of significant decline in revenues and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

For FY2015-16, RSDK reported net profit of Rs.0.74 crore on operating income of Rs.133.50 crore as compared to net profit of Rs.0.73 crore on operating income of Rs.134.74 crore in FY2014-15. The net worth stood at Rs.12.27 crore (including unsecured loan of Rs. 4.80 crore) as on March 31, 2016.

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

CRISIL has suspended the rating on the bank facilities of Ram Saroop Deepak Kumar (RSDK) in March 2016 on account of non-co-operation by RSDK with CRISIL's efforts to undertake a review of the ratings outstanding.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	24.00	SMERA BB- / Stable

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ABOUT SMERA

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