

## Press Release

### Ram Chander And Sons

August 23, 2017

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 5.05 Cr.
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 5.05 crore bank facilities of Ram Chander And Sons. The outlook is '**Stable**'.

The Lucknow-based Ram Chander and Sons (RCS) is a partnership firm established in 1991 by Mr. Alok Agrawal and Mrs. Sandhya Agarwal. The firm is the sole distributor for inkjet and dot matrix printers of Epson India Private Limited and also sells processing chemicals, projectors among others of Fuji Films.

### Key Rating Drivers

#### Strengths

- **Experienced partners**

The partners, Mr. Alok Agarwal and Mrs. Sandhya Agarwal have experience of around two decade in the aforementioned line of business. The experience has helped establish comfortable relations with customers and suppliers.

- **Efficient working capital management**

The prudent working capital cycle is marked by gross current asset (GCA) of 55 days in FY2016-17 (Provisional) compared to 58 days in FY2015-16. The modest GCA days are on account of low inventory days of 19 in FY2016-17 (Provisional) as against 22 days in FY2015-16. Further, the debtor days stood at 26 in FY2016-17 (Provisional) as against 33 in FY2015-16. The improvement in GCA days is on account of better inventory management and faster realisation of debtors.

#### Weaknesses

- **Modest scale of operations**

The scale of operations is modest with operating income of Rs.51.04 crore in FY2016-17 (Provisional) compared to Rs.43.48 crore in FY2015-16. SMERA believes that the ability of the firm to increase scale of operations while maintaining profitability margins shall remain a key credit monitorable.

- **Modest financial risk profile**

The modest financial risk profile is marked by low networth, high gearing and moderate debt protection metrics. The networth of the firm stood at a low of Rs.1.24 crore as on 31 March, 2017 (Provisional) as against Rs.1.21 crore in the previous year. The gearing stood high at 4.22 times as on 31 March, 2017 (Provisional) compared to 3.47 times in 31 March, 2016. The debt protection metrics stood at moderate levels marked by interest coverage ratio of 2.07 times in FY2016-17 (Provisional) and 1.65 crore in the previous year. Further, the net cash accrual to total debt (NCA/TD) stood at 0.11

times in FY2016-17 (Provisional) compared to 0.08 times in FY2015-16. SMERA expects the debt protection metrics to remain moderate over the medium term on account of its moderate profitability indicators. Further, SMERA believes that any decline in debt protection metrics and/or further decline in the conservative capital structure would be key credit monitoring factors.

### Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm.

### Outlook: Stable

SMERA believes that the firm will maintain a stable outlook owing to its experienced management and established relations with principal. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in working capital cycle or deterioration of financial risk profile.

### About the Rated Entity - Key Financials

In FY2016-17 (Provisional) the firm achieved operating income of Rs.51.04 crore with Profit After Tax (PAT) of 0.53 crore compared to operating income of Rs. 43.48 crore with PAT of 0.30 crore a year earlier. The networth of the firm stood at Rs.1.24 crore as on 31 March, 2017 (Provisional) as against Rs.1.21 crore a year earlier.

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

None

### Any other information

None

### 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>

### 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.35	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.70	SMERA A4

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### ABOUT SMERA

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