

Press Release

R N TRADING CO

December 08, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as SMERA B) on the Rs. 9.00 crore bank facilities of R N TRADING CO. The outlook is '**Stable**'.

R.N. Trading Co. (RNTC) was established in 2002 by Mr. Raj Kumar Agarwal to trade in plastic granules. From 2013, the firm began manufacturing plastic household goods and furniture (buckets, mugs, stools etc) at Kolkata, West Bengal with capacity of 160 tons per month. With plans to expand capacity further to 320 tons per month, the firm has set up a project at South 24 Parganas, West Bengal, the operations of which are expected to commence from January 2018. The firm procures raw materials (granules) from Haldia Petrochemicals Limited.

Key Rating Drivers

Strengths

- **Established track record of operations**

RNTC was established in 2002 by Mr. Raj Kumar Agarwal. The proprietor has more than 15 years of experience in the aforementioned line of business.

Weaknesses

- **Modest scale of operations, intense competition**

The scale of operations is modest as evident from the revenue of Rs. 12.24 crore in FY2017 (Provisional) and Rs. 16.27 crore in FY2016. The dip in revenues of the firm in FY2017 have been due to demonetisation. Moreover, the firm operates in a highly fragmented and competitive industry, thus limiting its bargaining power with customers.

- **Below average risk profile**

The financial risk profile is below average marked by low net worth, high gearing and modest debt protection metrics. The networth levels stood at Rs. 0.56 crore as on 31 March, 2017 (Provisional) compared to Rs.0.45 crore in the previous year. The gearing stood high at 8.06 times as on 31 March, 2017 (Provisional) compared to 7.18 times in the previous year. The total debt of Rs. 4.53 crore includes unsecured loans from directors, shareholders and relatives of Rs.1.85 crore, term loan of Rs. 0.39 crore and short term borrowings of Rs.2.28 crore. The TOL/TNW also stood high at 11.08 times in FY2017 (Provisional) as against 11.25 times in FY2016. The interest coverage ratio stood low at 1.61 times in FY2017 (Provisional). The NCA/TD stood at 0.06 times for FY2017 as against 0.08 times in the previous year.

- **Working capital intensive operations**

The operations of RNTC are working capital intensive with elongated GCA days of around 139 days in FY2017 (Provisional). The Inventory holding is high at 133 days for FY2017 (Provisional), the reason being piling up due to reduction in sales on account of demonetisation along with the expansion of business to Bihar and Odisha. The receivables on the other hand have been well managed and stood at 7 days in FY2017 compared to 9 days in the preceeding year.

Analytical Approach

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

Outlook: Stable

SMERA believes that RNTC will maintain a stable outlook and benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher than expected growth in revenue and profit margins while maintaining efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), RNTC reported profit after tax (PAT) of Rs.0.08 crore on operating income of Rs.12.24 crore compared with PAT of Rs.0.08 crore on operating income of Rs.16.27 crore for FY2015-16.

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	2.00	SMERA B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B / Stable

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