

Press Release

Riyara Trading (RT)

12 December, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	SMERA BB/ Outlook: Stable

* Refer Annexure for details

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 8.50 crore bank facilities of Riyara Trading (RT).

Established on April 2014 by Mr. Saravanan C as a proprietorship concern, Riyara Trading is engaged in the trading of bulk cement. RT deals in various grades of cement such as OPC43, OPC53, PPC, PSC and SRC. The firm supplies bulk cement to ready mix concrete plants, builders and contractors in Tamil Nadu, Karnataka, Kerala and Puducherry.

List of key rating drivers and their detailed description

Strengths

Increasing scale of operations

The entity commenced operations from April 2014. The topline improved to Rs 103.41 crore in FY2017 from Rs 62.81 in FY2016 due to ramp up in operations. The sales volume increased to 2,00,000 tons in FY2017 from 1,31,000 tons in FY2016. The entity also opened a branch in Puducherry in FY2016. The firm registered topline of Rs 59.50 crore till September 2017 (Provisional) and sold 1,42,421 tons of bulk cement till October 2017.

Healthy financial risk profile

The financial risk profile of the firm is marked by modest network, comfortable gearing and healthy debt protection measures. The network levels stood at Rs.16.18 crore as on 31 March 31, 2017 as against Rs. 3.15 crore in the previous year. The increase in network has been mainly due to infusion of capital of Rs. 6.34 crore by the promoter. The gearing levels improved to 0.52 times in FY2017 from 2.79 times in FY2016 backed by increase in the network levels and repayment of unsecured loans in FY2017. The interest coverage levels rose to 13.09 times in FY2017 from 3.33 times in FY2016 backed by reduction in interest cost and improvement in the profitability levels. The net cash accruals to total debt (NCA/TD) also went up to from 0.21 times in FY2016 to 0.80 times in FY2017 mainly due to improvement in profitability parameters and reduction in total debt levels.

Weaknesses

Working capital intensive business

The operations of the entity are working capital intensive as evident from its gross current asset (GCA) days of 98 days as on 31 March, 2017 as against 87 days in the preceding year. This has been mainly due to receivables cycle which has been in the range of 85 to 90 days in the past two years ended March 2017. On the other hand, the company does not maintain any inventory levels as they directly transport bulk cement from the suppliers to the customers.

Exposure to the cyclicity in the real estate industry

The firm is engaged in the wholesale trading of cement used largely in the real estate and infrastructure industries. Hence, its performance is directly linked to the performance of the

aforementioned industries.

Analytical approach

SMERA has considered the standalone business and financial risk profiles of RT.

Outlook: Stable

SMERA believes that the outlook on RT will remain 'Stable' over the medium term on account of its increasing scale of operations. The outlook may be revised to 'Positive' in case the firm sustains the current growth rate in revenue while maintaining operating profit margins. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or deterioration in its financial risk profile.

About the Rated Entity

For FY2016-17, RT reported profit after tax (PAT) of Rs.6.69 crore on operating income of Rs.103.10 crore as compared with net profit of Rs.1.84 crore on operating income of Rs.62.81 crore in the previous year. The net worth stood at Rs.16.18 crore as on 31 March, 2017 compared to Rs.3.15 crore in the previous year.

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 (Up to 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	8.50	SMERA BB/ Stable

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