

Press Release

Rajendra Kumar and Company (RKC)

07 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	SMERA BB/ Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long-term rating of '**SMERA BB**' (read as **SMERA double BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs 17.00 crore bank facilities of Rajendra Kumar and Company (RKC). The outlook is '**Stable**'.

RKC is a Mumbai based partnership firm is engaged in trading of hot and cold rolled coils, sheets, galvanised and colour coated products. The partners are Mr. Rajendra Kumar Choudhary, Mr. Pratik Choudhary and Mrs. Shanti Devi. The operations were started by Mr. Rajendra Kumar Choudhary in 1985 as proprietorship concern and later on the constitution was changed to partnership firm. The firm has tie ups with renowned logistic companies, CNF Agents, Service centres, warehouses for storage and transportation of the products.

Key Rating Drivers

Strengths

- **Experience management and established track record**

The key partner Mr. Rajendra Kumar Choudhary has more than four decades of experience in the trading of Iron and steel products. The firm has long standing relationship with customers and suppliers with established presence in the domestic market.

- **Average financial risk profile**

The financial risk profile of RKC is marked by networth of Rs. 4.24 crore in FY2017 and Rs. 2.08 Crore in FY2016 which has improved due to plough back of profits in the business. The TOL/TNW ratio have improved to 3.67 times on March, 2017 as against 12.54 times as on March, 2016. The Interest coverage ratio stood at 1.23 times in FY2017 and 1.27 times in FY2016.

Weaknesses

- **Moderate Working capital cycle**

The firm has moderate working capital intensive operations marked by moderately high Gross Current Assets days of 104 in FY2016-17 as against 128 days in FY2015-16. The inventory days stood at 63 in FY2017 and 53 in FY2016. The average utilisation of working capital limits was at around ~75.00 percent in the last six months ended December 2017.

- **Modest scale of operation in an intense competitive market**

RKC operates on a small scale, with operating income of Rs.63.24 crore in FY2017 which has declined from Rs.73.34 crores in FY2016. Further, as informed by the partners, the firm has reported revenue of approximately Rs.57.00 crore from April 2017 to February 2018. The operations of firm are also restricted to Maharashtra.

• Highly fragmented and competitive industry

The firm is exposed to intense competition from small and big players in the iron and steel industry. Industry is also marked by limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

Analytical Approach

SMERA has considered standalone business and financial risk profile of RKC for arriving at the rating

Outlook: Stable

SMERA believes that RKC will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	63.24	73.34	65.17
EBITDA	Rs. Cr.	0.92	0.32	0.59
PAT	Rs. Cr.	0.13	0.16	0.14
EBITDA Margin	(%)	1.45	0.44	0.90
PAT Margin	(%)	0.21	0.22	0.21
ROCE	(%)	19.36	22.58	37.62
Total Debt/Tangible Net Worth	Times	0.25	1.83	0.16
PBDIT/Interest	Times	1.23	1.27	1.38
Total Debt/PBDIT	Times	1.17	11.81	0.91
Gross Current Assets (Days)	Days	104	128	160

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

None

Any other information

Not Applicable

Applicable Criteria

- Trading Entity - <https://www.smera.in/criteria-trading.htm>
- Default Recognition - <https://www.smera.in/criteria-default.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 BB / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+

Contacts

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