

Press Release

Ram Meenakshi Firm

05 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 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. 10.00 crore bank facilities of RAM MEENAKSHI FIRM. The outlook is '**Stable**'.

Madurai, Tamil Nadu based RMF, is a partnership firm established in 1987 by Mr. V. Anbu chezhian and Ms. V. Keerthi Meena. The firm is engaged in the trading of pulses such as long grain rice, moong dal, soya bean to name a few.

Key Rating Drivers

Strengths

- **Established track of operation & experienced management**

The firm was established in the year 1987, thus having operational track record of 31 years in agricultural industry. Mr. Anbu Chezhian (Partner) has over three decades of experience in the aforementioned line of business.

- **Comfortable Working Capital Operations**

RMF has comfortable working capital operations marked by Gross Current Assets (GCA) of 39 days in FY2017 as against 29 days in FY2016. The firm has debtors of 38 days in FY2017 as against 19 days in FY2016.

- **Average financial risk profile**

RMF has average financial risk profile marked by moderate Interest Coverage ratio of 1.23 times for FY2017 as against 1.17 times for FY2016. Net worth of the firm stood at Rs.7.29 crores as on March 31, 2017 as against Rs.0.33 crores as on March 31, 2016. The gearing of the firm improved to 0.64 times as on 31 March, 2017 as compared to 16.20 times as on 31 March 2016 on account of unsecured loans brought in by the partners. The unsecured loans amount to Rs.4.88 crores which are treated as quasi equity as they are subordinated to bank debt.

Weaknesses

- **Regulatory Risk**

The firm is exposed to risks associated with changes in government regulations. Since the firm is importing 99 percent of goods, it is likely to face regulatory risks such as hike in import duties due to which the firm's revenues may decline.

- **Foreign Exchange Fluctuation Risk**

The profit margins are susceptible to foreign exchange fluctuation risk as the company imports 99 per cent of its finished goods such as pulses from global manufacturers based in Argentina, Brazil, Russia, Ukraine and various other countries.

Analytical Approach

SMERA has considered standalone financial and business risk profile of the firm to arrive at the rating.

Outlook: Stable

SMERA believes that RMF will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company improves its financial risk profile and scale of operations. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the company's financial risk profile and lower than expected profit margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	199.10	188.38	79.08
EBITDA	Rs. Cr.	1.82	1.34	0.00
PAT	Rs. Cr.	0.10	0.19	0.00
EBITDA Margin	(%)	0.91	0.71	1.33
PAT Margin	(%)	0.05	0.10	0.00
ROCE	(%)	18.73	28.91	58.72
Total Debt/Tangible Net Worth	Times	0.64	16.20	48.59
PBDIT/Interest	Times	1.23	1.17	1.01
Total Debt/PBDIT	Times	2.56	3.94	3.30
Gross Current Assets (Days)	Days	39	29	45

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

None

Any other information

Not Available

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	10.00	SMERA BB- / Stable

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