

Press Release

Rathna Stores Firm Purusai

June 06, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.16.00 crore bank facilities of Rathna Stores Firm Purusai. The outlook is '**Stable**'.

Established in 1984, Rathna Stores Firm Purusai (RSFP) is a partnership firm engaged in trading of home appliances and consumer durables. The store is spread over 57,600 sq. feet located in Purasawalkam (Chennai). The firm is Promoted Mr. S. Sivashankar.

Key Rating Drivers

Strengths

- **Strong brand recognition:**

The Chennai based, RSFP has been engaged in trading of consumer durables and home appliances for more than three decades. The firm has strong brand recognition in Chennai retail markets.

- **Established supplier relationship:**

The firm has established relationships with major suppliers such as Crompton, Hawkins, Usha, Kundan metals, among others. RSFP has been dealing with these suppliers for over three decades.

Weaknesses

- **Moderate scale of operations:**

In spite of being in business for more than three decades, the scale of operation has remained moderate with revenue at Rs.24.09 crore in FY2018 (Provisional) as against Rs.21.58 crore in FY2017. Acuité believes that the scale of operation will increase over the medium to long term on the account of expansion of 3 more floors in the existing store. This would add additional floor space of ~7,200 sq.feet.

- **Below average financial risk profile:**

The firm has below average financial risk profile marked with net worth of Rs.2.38 crore as on 31 March, 2018 (Provisional) as against Rs.2.02 crore in 31 March, 2017. The business model remains highly leveraged, with gearing at 5.36 times in FY2018 (Provisional) as against 6.54 times in FY2017. TOL/TNW stood at 6.10 times in FY2018 (Provisional) as against 7.55 times in FY2017. The coverage indicators are moderate with interest coverage ratio of 1.43 times in FY2018 (Provisional) as against 1.19 times in FY2017.

- **Working capital intensive operation:**

The operations are working capital intensive marked by Gross Current Asset (GCA) days of 236 in FY2018 (Provisional) as against 246 in FY2017. This is mainly on account of higher inventory of 242 days in FY2018 (Provisional) as against 255 days in FY2017. The efficient management of working capital will remain key rating sensitivity for the maintenance of credit risk profile.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of RSFP to arrive at the rating.

Outlook: Stable

Acuité believes that RSFP will maintain a 'Stable' outlook over the medium term on account of strong brand image and its established relationship with suppliers. The outlook may revised to 'Positive' in case of increase in the scale of operation and working capital cycle improvement. The outlook may revised to 'Negative' if the working capital cycle deteriorate or reduction in profitability.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	24.09	21.58	23.84
EBITDA	Rs. Cr.	1.42	2.01	0.95
PAT	Rs. Cr.	0.26	0.13	0.18
EBITDA Margin	(%)	5.88	9.33	4.00
PAT Margin	(%)	1.08	0.62	0.76
ROCE	(%)	8.25	15.13	14.30
Total Debt/Tangible Net Worth	Times	5.36	6.54	2.80
PBDIT/Interest	Times	1.43	1.19	1.41
Total Debt/PBDIT	Times	9.01	6.56	6.92
Gross Current Assets (Days)	Days	236	246	146

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

Not applicable

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.06	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.77	ACUITE B+ / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.67	ACUITE B+ / Stable

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuите.in Praveen Kumar Analyst - Rating Operations Tel: 022-67141148 praveen.kumar@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuите.in

About Acuité Ratings & Research:

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