

Press Release

RK Enterprises

June 12, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.50 crore
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned short-term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.6.50crore bank facilities of RK Enterprises (RKE). The outlook is '**Stable**'.

RK Enterprises (RKE) was started as a proprietorship firm in 2014 by Mr. Rakesh Kumar Gupta. The firm is engaged in trading of agro products like Cumin Seeds, Fennel Seeds, Fenugreek Seeds, Rice, among others. The agro products are usually purchased from brokers located in various states like, Andhra Pradesh, Gujarat, and other places. The firm is also exports to various companies in Bangladesh.

Key Rating Drivers

Strengths

- **Growth in profitability margins**

The profitability margins increased during FY2015 to FY2017. The EBITDA margins stood at 2.44 percent in FY2017 as against 1.98 percent in FY2016 and 1.74 percent in FY2015. This is majorly on account of a change in the mix of the products sold. The PAT margins stood at 1.07 percent in FY2017, same as the year earlier.

Weaknesses

- **Below average financial risk profile**

The firm has below average financial risk profile marked by net worth of Rs.0.49 crore as on 31 March, 2017 as against Rs.0.50 crore as on 31 March, 2016. The gearing stood high at 4.04 times as on 31 March, 2017. The total debt of Rs.1.99 crore outstanding as on 31 March, 2017 comprises Rs.0.17 crore as unsecured loans from partners and Rs.1.82 crore as short term borrowings from the bank. Interest Coverage Ratio stood at 1.80 times in FY2017 as against 2.21 times in FY2016. The net cash accruals stood at Rs.0.13 crore and TOL/TNW at 7.56 times in FY2017.

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Assets of 106 days in FY2017 as against 18 days in FY2016. This is majorly on account of high receivable days of 61 in FY2017 as against 4 in FY2016. The creditor days are also stretched at 33 days in FY2017 as against 21 days in FY2016. The inventory holding period is at 24 days in FY2017.

- **Presence in a highly fragmented and competitive industry**

The firm has a presence in a highly fragmented and competitive agro industry, thus limiting its bargaining power in terms of pricing and credit terms with customers.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the firm.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	12.27	29.08	23.06
EBITDA	Rs. Cr.	0.30	0.58	0.40
PAT	Rs. Cr.	0.13	0.31	0.20
EBITDA Margin	(%)	2.44	1.98	1.74
PAT Margin	(%)	1.07	1.07	0.88
ROCE	(%)	19.92	145.07	283.83
Total Debt/Tangible Net Worth	Times	4.04	-	-
PBDIT/Interest	Times	1.80	2.21	2.01
Total Debt/PBDIT	Times	6.65	-	-
Gross Current Assets (Days)	Days	106	18	6

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Trading entities - <https://www.acuite.in/criteria-trading.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
EPC	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4
Proposed	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4

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