

## Press Release

### RK Enterprises

June 12, 2018

### Rating Assigned



|                                     |                         |
|-------------------------------------|-------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 6.50 crore          |
| <b>Short Term Rating</b>            | ACUITE A4<br>(Assigned) |

\* Refer Annexure for details

### Rating Rationale

Acuite 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

Acuite 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       |

## Contacts

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|---|--|
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