

Press Release

Uttam Chand Rakesh Kumar

D-U-N-S® Number: 85-978-4833

January 16, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 23.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs. 23.00 crore bank facilities of Uttam Chand Rakesh Kumar (UCRK). The outlook is '**Stable**'.

The Delhi-based, UCRK was established in 2008 as a partnership firm by Mr. Rakesh Kumar Bhatia and his son, Mr. Akshay Kumar Bhatia. The firm is engaged in the trading of dry-fruits (mainly almonds and pistachios) and spices (cloves, poppy seeds, cumin seeds). UCRK imports mainly from U.S., Dubai, Turkey, Australia, Germany and Madagascar.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of UCRK to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The main promoter of UCRK, Mr. Rakesh Kumar Bhatia has been in the business for more than four decades. However, the Bhatia family has a long track record of over seven decades and the business is currently run by the fifth generation. This extensive experience in the concerned line of business has helped the firm establish healthy relations with its customers and suppliers.

- **Prudent working capital management**

UCRK's prudent working capital management is marked by comfortable Gross Current Asset (GCA) days of 31 in FY2018 compared to 33 in FY2017. This is mainly on account of low collection and inventory holding of 11 days and 15 days respectively in FY2018 compared to 3 days and 20 days in FY2017. The firm efficiently manages its receivables, thereby, realizing payments within a period of 10-15 days resulting in 70-80 percent utilisation of the cash credit limit. Being in trading business, the firm on an average maintains inventory of around 15-20 days.

Weaknesses

- **Moderate financial risk profile**

The firm has moderate financial risk profile marked by net worth of Rs.11.89 crore as on 31 March, 2018 as against Rs.8.71 crore as on 31 March, 2017. The gearing stood moderate at 1.88 times as on 31 March, 2018 as against 2.20 times as on 31 March, 2017. The total debt of Rs.22.32 crore outstanding as on 31 March, 2018 comprises Rs.0.10 crore as long term loan, unsecured loans from promoters and related parties of Rs.3.30 crore and Rs.18.93 crore as short term working capital borrowings. Interest Coverage Ratio (ICR) stood at 1.81 times in FY2018 as against 1.19 times in FY2017. TOL/TNW stood at 2.19 times as on March 31, 2018 against 3.08 times as on March 31, 2017. The net cash accruals stood at Rs.1.77 crore in FY2018 against Rs.0.40 crore in FY2017.

- **Low margins**

On account of trading nature of business, profitability of the firm stood low. The EBITDA margins increased to 0.91 per cent in FY2018 compared to 0.67 per cent in FY2017. The PAT margins stood low at 0.39 per cent in FY2018 compared to 0.08 per cent in FY2017.

• **Competitive and highly fragmented industry**

UCRK operates in a highly fragmented industry with limited entry barriers, wherein the presence of a large number of players in the unorganised sector limits its bargaining power with customers.

Outlook: Stable

Acuite believes that UCRK will maintain a 'Stable' risk profile over the medium term on account of its experienced management and established market position. The outlook may be revised to 'Positive' in case of sustained and significant growth in operating income while improving its profitability margins and maintaining its working capital cycle. The outlook may be revised to 'Negative' in case of sustained decline in profitability metrics and/or further increase in financial leverage metrics of the firm.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	435.59	388.40	302.28
EBITDA	Rs. Cr.	3.96	2.59	2.51
PAT	Rs. Cr.	1.70	0.32	0.32
EBITDA Margin	(%)	0.91	0.67	0.83
PAT Margin	(%)	0.39	0.08	0.10
ROCE	(%)	12.57	9.02	9.51
Total Debt/Tangible Net Worth	Times	1.88	2.20	2.30
PBDIT/Interest	Times	1.81	1.19	1.20
Total Debt/PBDIT	Times	5.61	7.42	7.62
Gross Current Assets (Days)	Days	31	33	43

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>
- 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE BB+ / Stable

LC (Inland/ Foreign) of Rs. 10 crore as a sublimit of CC

Contacts

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About Acuité Ratings & Research:

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