

Press Release

Rani Sati Trade and Finance Private Limited

August 13, 2020

Rating Assigned



Total Bank Facilities Rated	Rs. 7.50 crore
Long Term Rating	ACUITE B+/ Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 7.50 crore bank facilities of Rani Sati Trade and Finance Private Limited (RSTFPL). The outlook is '**Stable**'.

RSTFPL, incorporated in October 1998, is a West Bengal based company trading in wheat and maize. The company is promoted by Mr. Sandeep Kumar Maskara, Mr. Sanjeev Kumar Maskara and Mrs. Manju Devi Maskara and it operates in Dalkhola town in West Bengal. The company owns a warehouse of 75,000 feet in Dalkhola for keeping its own goods.

Analytical Approach

Acuité has considered the standalone business and risk profile of RSTFPL to arrive at the rating.

Key Rating Drivers

Strengths

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

The promoters of the company, Mr. Sandeep Kumar Maskara, Mr. Sanjeev Kumar Maskara and Mrs. Manju Devi Maskara have more than two decades of experience in the agro trading industry. Acuité believes that the extensive experience of the management has enabled the group to maintain healthy relationships with their customers and suppliers.

Weaknesses

- **Modest scale of operations**

The revenues of the company have remained largely flattish in the past three years until FY2020 (provisional). The turnover has been between Rs. 34.71 crores to Rs. 35.01 crores during the same period. Going forward, the ability of the company to improve its scale of operations will be a key rating sensitivity factor.

- **Weak financial risk profile**

The company's weak financial risk profile is marked by low net worth, high gearing and moderate debt protection metrics. The net worth of the company improved to Rs.2.17 crores as on March 31, 2020(Provisional) from Rs.1.99 crores as on March 31, 2019 due to retention of profits. The debt of Rs.5.69 crores mainly consists of short term debt of Rs.4.65 crores apart from long term debt of Rs.0.75 crores and maturing obligation of Rs. 0.29 crore as on 31 March, 2020(Provisional). The company has high gearing at 2.62 times as on March 31, 2020(Provisional) as against 3.14 times as on March 31, 2019. Total Outside Liabilities /Total Net worth(TOL/TNW) stood at 3.68 times as on March 31, 2020(Provisional) as compared to 5.98 times as on March 31, 2019. The moderate debt protection metrics of the company is marked by Debt Service Coverage Ratio stood at 1.65 times as on FY2020 (Provisional) as compared to 1.34 times as on FY2019 and Interest Coverage Ratio stood at 1.04 times (Provisional) as on FY2020 as against 0.95 times as on FY2019. Net cash accruals/ Total Debt stood(NCA/TD) at 0.06 times for FY2020(Provisional) as compared to 0.04 times for FY2019. Acuité believes that the financial profile of the company is expected to remain at the same levels during the medium term backed by steady accruals and absence of capital expenditure plans.

Rating Sensitivity

- Improvement in the financial risk profile
- Stead increase in the scale of operation while improving profitability margins

Material Covenants

None

Liquidity Profile: Stretched

The company's liquidity is stretched marked by a low cushion in repayments. The net cash accruals stood at Rs.0.39 crore against the repayment obligations of Rs.0.29 crore in FY2020 (Provisional). The working capital operations of the company are moderately intensive, marked by GCA days of 86 days in FY2020 (Provisional). The working capital limits have been utilized at 92 per cent for the last six months ended on May 2020. The company has not availed any moratorium, however, it has opted for a Covid loan of Rs.1 crore. The cash and bank balances of the company stood at Rs.0.11 crore as on March 31, 2020(Provisional). Going forward, Acuite believes the liquidity of the company will remain stretched due to modest accruals.

Outlook: Stable

Acuite believes RSTFPL outlook will remain stable owing to the long experience of the promoters in the business. The outlook may be revised to 'Positive' if the company is able to improve on its overall financial risk profile while scaling up the operations. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in their capital structure.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	34.84	34.71
PAT	Rs. Cr.	0.09	0.15
PAT Margin	(%)	0.25	0.44
Total Debt/Tangible Net Worth	Times	3.14	3.40
PBDIT/Interest	Times	1.34	1.37

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

Not applicable

Any other information

Not Applicable

Applicable Criteria

- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Application of Financial Ratios and Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not applicable

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	4.75	ACUITE B+/Stable (Assigned)
Term Loan	01/05/2017	Not Applicable	01/05/2023	1.19	ACUITE B+/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.56	ACUITE B+/Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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