



**Press Release**  
**RAJCHANDRA AGENICIES**  
**July 14, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE B+   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITÉ B+**' (read as **ACUITE B Plus**) to the Rs 25.00 Cr. bank facilities of Rajchandra Agencies (RA). The outlook is '**Stable**'.

**Rationale for Rating Assigned**

The rating assigned reflects the extensive experience of the firm's partners in distribution of FMCG products, the diverse product portfolio, and longstanding relationships with its customers. These strengths are partially offset by the firm's average financial risk profile, efficient working capital operations and high geographical concentration in revenue.

**About the Company**

Set up in Mumbai in 2004 as a partnership concern by Mr. Mukesh R. Gupta and Mr. Harikrishan N. Gupta, Rajchandra Agencies is an authorized distributor for Bharti Airtel Limited's prepaid products; ITC's cigarettes, foods, and personal care products; and Vivo's mobile handsets for western suburbs of Mumbai.

**Analytical Approach**

Acuite has taken a standalone view of the business and financial risk profile of RA to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**>Extensive experience of partners with diverse product portfolio**

The firm's partners, Mr Mukesh Gupta and Mr Hari Gupta, have been engaged in distribution of FMCG products for nearly two decades. Over the years, they have built strong relationships with key suppliers and customers. Partners have maintained association with its major suppliers- ITC and Airtel, for nearly two decades which has supported business risk profile of the firm. The firm is a wholesale distributor for Bharti Airtel Ltd, ITC Ltd(FMCG products, Cigarette & Personal care), and Vivo Smartphones (mobile handsets & accessories). The diversified product range reduces dependence on any particular brand. Acuite believes that the firm will benefit from its longstanding relationship with clients and experience of the partners.

**>Efficient Working Capital Operations**

The working capital management of the firm is efficient marked by GCA days of 66 days in FY23 (Prov) as against 74 days in FY22 and 85 days in FY21. The firm maintains moderate inventory levels of around 28 days in FY23 (Prov) as against 30 days for FY22 and 35 days in

FY21. Generally, the inventory holding period that the firm follows is 20-25 days. Subsequently, the debtor's collection period stood at 37 days in FY23 (Prov) as against 40 days for FY22 and 49 days in FY21. Generally, the firm gives a credit period of 30-35 days to its

customers. Furthermore, the creditor days stood at 02 days in FY23 (Prov) as against 0 days in FY22 and 02 days in FY21. Generally, the firm deals in advance payment to its suppliers. Acuité expects the working capital management to remain efficient over the medium term considering the nature of business and terms allowed to customers.

## **Weaknesses**

### **>Average financial risk profile**

The financial risk profile of the company stood average, marked by low net worth, moderate gearing (debt-equity) and moderate debt protection metrics. The tangible net worth stood at Rs.8.88 crore as on 31 March 2023 (Prov) as against Rs.7.31 crore as on 31 March, 2022 and Rs.7.11 crore as on 31 March 2021. The total debt of the company stood at Rs.25.75 crore which includes short-term debt of Rs.21.60 crore, long-term debt of Rs.2.70 crore and CPLTD of Rs.1.30 crore as on 31 March, 2023 (Prov). The gearing (debt-equity) stood at 2.90 times as on 31 March 2023 (Prov) as compared to 3.89 times as on 31 March, 2022 and 3.38 times as on 31 March 2021. Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at 1.43 times for FY2023 (Prov) as against 1.30 times for FY2022 and 1.12 times for FY2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 3.04 times as on 31 March, 2023 (Prov) as against 3.91 times as on 31 March, 2022 and 3.56 times as on 31 March 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.05 times for FY2023 (Prov) as against 0.03 times for FY2022 and 0.01 times for FY2021.

Acuité believes that the financial risk profile of the RA is likely continue to remain average over the medium term.

### **>Geographical concentration in revenue profile**

The firm is a distributor for Airtel's prepaid products (for Dahisar, Borivali, Mira Road and Bhayander), ITC's products (Dahisar and Borivali) and Vivo mobile's handsets (Nalasopara to Dahanu) all within Western Mumbai region. With the entire revenue generated from few western suburbs of Mumbai, the firm faces high geographic concentration risk.

## **Rating Sensitivities**

- Substantial improvement in scale of operation while maintaining profitability margins.
- Any further capital withdrawals from partners or elongation in working capital cycle resulting in deterioration in financial risk profile

## **Material covenants**

None.

## **Liquidity Position: Stretched**

The company's liquidity position is stretched, marked by high utilization of ~100% percent for the working capital facilities for the past 06 months ended May 2023. The company generated sufficient net cash accruals in the range of Rs.0.32-Rs.1.39 Crore between FY20-22 against its maturity repayment obligations in the range of Rs.1.30 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.2.34-3.24 crore against the maturing repayment obligations of Rs.0.93-Rs.1.30 crore over the medium term. The working capital management of the company is efficient marked by GCA days of 66 days in FY2023 (Prov) as against 74 days in FY2022 and 85 days in FY2021. The company maintains unencumbered cash and bank balances of Rs.0.37 crore as on March 31, 2023 (Prov). The current ratio stands at 1.49 times as on March 31, 2023 (Prov) as against 1.50 times as on 31 March, 2022 and 1.64 times as on 31 March, 2021.

Acuite believes that the liquidity of the company is likely to remain stretched over the medium term on account of working capital intensive nature of operations and moderate cash accruals.

## **Outlook: Stable**

Acuité believes that RA will continue to maintain a 'Stable' outlook over the medium term owing to its established relationship with customers and suppliers, and the extensive experience of its partners. The outlook may be revised to 'Positive' if the firm reports significant

improvement in revenue and scale of operations while maintaining operating profitability, leading to higher cash accruals. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue and profitability leading to lower than expected cash accruals or deterioration in the financial risk profile or higher than expected working capital borrowings.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	187.22	167.95
PAT	Rs. Cr.	1.22	0.73
PAT Margin	(%)	0.65	0.44
Total Debt/Tangible Net Worth	Times	2.90	3.89
PBDIT/Interest	Times	1.43	1.30

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

Not Available.

### Any other information

None

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History :

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.50	ACUITE B+   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.53	ACUITE B+   Stable   Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.85	ACUITE B+   Stable   Assigned
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.12	ACUITE B+   Stable   Assigned

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Siddharth Shah Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:siddharth.shah@acuite.in">siddharth.shah@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.