



Press Release
RAJCHANDRA AGENCIES
October 11, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE B+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for reaffirmation

The rating reaffirmation reflects extensive experience of the firm's partners in distribution of FMCG products, the diverse product portfolio, longstanding relationships with its customers and efficient working capital management. These strengths are partially offset by the firm's average financial risk profile, stretched liquidity 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.

Unsupported Rating

Not Applicable

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.

Acuité believes that the firm will benefit from its longstanding relationship with clients and experience of the partners.

Efficient working capital operations

The working capital operations of the company are efficient in nature marked by GCA days of 79 days in FY24(Prov.) against 68 days in FY23. The debtor's collection period stood at 44 days in FY24(Prov.) as against 38 days in FY23. Generally, the company has a policy of providing credit of upto 30 days to its customers. The inventory days for the company stood at 33 days in FY24 (Prov.) as against 29 days in FY23. Generally, the inventory holding period that the company follows is 25-30 days. Also, the creditors days stood at 4 days in FY24 (Prov.) as against 1 day in FY23. Generally, the company is paying advance to majorityits suppliers. However, the fund based working capital limits remained almost fully utilised over the last 6 months ending July 2024.

Acuité expects 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, high gearing and average debt protection metrics. The net worth of the company stood at Rs. 9.55 Cr. in FY24 (Prov.) as compared to Rs 8.60 Cr. in FY23. The company's total debt, comprising Rs.2.84 Cr. of long-term debt, Rs. 23.24 Cr. of short-term debt, and Rs.0.69 Cr. of USL amounted to Rs.26.77 Cr. as of March 31, 2024(Prov.). The gearing of the company has stood average at 2.80 times in FY24 (Prov.) as compared to 3.30 times in FY23. The gearing is expected to improve in the near term on account of absence of any debt funded capex plans and gradual repayment of the loans. The TOL/TNW of the company stood at 3.15 times in FY24 (Prov.) as against 3.26 times in FY23. Further, debt protection metrics stood average with Interest coverage ratio (ICR) stood at 1.41 times in FY24 (Prov.) as against 1.40 times in FY 2023. The debt service coverage ratio (DSCR) of the company stood at 1.00 times in FY24 (Prov.) as compared to 1.40 times in the previous year. The Debt-EBITDA of the company stood at 5.88 times in FY24 (Prov.) as against 5.68 times in FY23. The net cash accruals to total debt (NCA/TD) stood at 0.05 times in FY24(Prov.) and FY23 as well.

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

Upward factors -

- Substantial improvement in scale of operation while maintaining profitability margins.
- Improvement in the financial risk profile

Downward factors -

- Any significant capital withdrawals from partners or elongation in working capital cycle resulting in deterioration in financial risk profile
- Lower than expected growth in scale of operations and profitability

Liquidity Position

Stretched

The company's liquidity position is stretched, marked by tightly matched accruals generation against its repayment obligations.

The company generated average net cash accruals of Rs.1.31 Cr. in FY24(Prov.) against repayment obligation of Rs.1.30 Cr. Further, it is expected to generate average cash accrual in the range of Rs.1.81 -2.10 Cr. against the maturing repayment obligations of Rs. 0.41 -1.12 Cr. over the medium term. The working capital operations of the company are efficient in nature marked by GCA days of 79 days in FY24(Prov.), however, the reliance on working capital limits stood high with almost fully utilised limits over the last 6 months ending July 2024. The company maintains unencumbered cash and bank balances of Rs.0.45 crore as on March 31, 2024 (Prov.). The current ratio stands at 1.36 times as on March 31, 2024 (Prov.) as against 1.38 times as on 31 March 2023.

Going ahead, Acuite expects the liquidity position to remain stretched on account of average accruals generations and almost fully utilised working capital limits.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	172.66	183.67
PAT	Rs. Cr.	1.12	1.14
PAT Margin	(%)	0.65	0.62
Total Debt/Tangible Net Worth	Times	2.80	3.03
PBDIT/Interest	Times	1.41	1.40

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

Not Applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Jul 2023	Cash Credit	Long Term	20.50	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	1.85	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	2.12	ACUITE B+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.53	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Cash Credit	09 Aug 2024	Not avl. / Not appl.	Not avl. / Not appl.	23.20	Simple	ACUITE B+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2024	0.21	Simple	ACUITE B+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Oct 2026	1.59	Simple	ACUITE B+ Stable Reaffirmed

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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.

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