

December 12, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	7.00	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (**read as SMERA B Minus**) to the Rs.7.00 crore bank facilities of R.F. Overseas Pvt. Ltd. (RFOPL). The outlook is '**Stable**'. The rating is constrained by the company's small scale of operations amidst intense competition prevalent in the rice processing industry. The rating is further constrained by the company's working capital-intensive operations, high leverage and low profit margins. However, the rating is supported by the company's long track record of operations, experienced management and proximity to raw material sourcing area.

RFOPL, established in 1997, is a Kapurthala-based company engaged in milling and processing of paddy. RFOPL has a small scale of operations with total operating income of Rs.24.21 crore (provisional) in FY2012-13 (refers to financial year, April 01 to March 31). The company faces intense competition from several small and large players in the rice processing industry. RFOPL's operations are working capital-intensive. The company's average utilisation of working capital limit is high at 98 per cent during November 2013. RFOPL's leverage is high at 10.66 times as on March 31, 2013. The company's net profit margin is low at 0.12 per cent in FY2012-13.

RFOPL benefits from its experienced management. Mr. Narain Gupta, Director of RFOPL, has around three decades of experience in the rice processing industry. RFOPL also benefits from its favourable location. The company's factory unit is located in Kapurthala, Punjab — a major rice producing state in India.

Outlook: Stable

SMERA believes RFOPL will maintain a stable business risk profile in the medium term on the back of its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers better profit margins and debt coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's profit margins and capital structure.

About the company

RFOPL, established in 1997, is a Kapurthala-based company engaged in milling and processing of paddy. RFOPL is promoted by Mr. Narain Gupta and his family members. The company has a factory unit in Kapurthala, Punjab. RFOPL sells rice under its own brands — 'R.F' and 'M.P'.

For FY2011-12, RFOPL reported PAT of Rs.0.03 crore on operating income of Rs.15.11 crore, as compared with PAT of Rs.0.07 crore on operating income of Rs.15.11 crore for FY2010-11. For FY2012-13 (as per provisional financial statements), the company reported PAT of Rs.0.03 crore on

R.F. Overseas Pvt. Ltd. (RFOPL)

**Rating
Rationale**

operating income of Rs.24.11 crore. RFOPL's net worth stood at Rs.0.93 crore as on March 31, 2013, as compared with Rs.0.90 crore a year earlier.

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