

**April 13, 2015**

Facility	Amount (Rs. Crore)	Rating
Cash Credit	7.00	SMERA B-/Stable (Reaffirmed)

SMERA has reaffirmed the rating of **'SMERA B-' (read as SMERA single B minus)** on the Rs.7.00 crore bank facility of R.F. Overseas Pvt. Ltd. (RFOPL). The outlook is **'Stable'**. The rating remains constrained by the company's small-scale operations, high leverage and low profit margins. The rating is also constrained by the company's exposure to intense competition. However, the rating is supported by the company's established operations and experienced management. The rating also draws comfort from the locational advantage available to the company.

### Update

RFOPL's operating income has increased from Rs.24.21 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.26.30 crore in FY2013-14. The company's operating profit margin declined from 4.61 per cent in FY2012-13 to 3.78 per cent in FY2013-14 on account of higher transportation cost. There were no major changes in the company's capital structure in FY2013-14.

RFOPL has small-scale operations with total operating income of Rs.26.30 crore in FY2013-14. The company faces intense competition from several players in the rice processing business. RFOPL's leverage is high at 10.03 times as on March 31, 2013. The company's net profit margin is low at 0.22 per cent in FY2013-14.

RFOPL benefits from its experienced management. Mr. Narain Gupta, director of RFOPL, has around three decades of experience in the rice processing industry. RFOPL's processing unit is in proximity to several paddy fields in Kapurthala, Punjab (a major rice growing state in India).

### Outlook: Stable

SMERA believes RFOPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in profit margins and debt coverage indicators. 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 promoted by members of the Gupta family. RFOPL is engaged in milling and processing of rice, which is sold under the brand names of 'R.F' and 'M.P'.

For FY2013–14, RFOPL reported profit after tax (PAT) of Rs.0.06 crore on operating income of Rs.26.30 crore, as compared with PAT of Rs.0.03 crore on operating income of Rs.24.21 crore in FY2012–13. The company's net worth stood at Rs.0.99 crore as on March 31, 2014, as compared with Rs.0.93 crore a year earlier.

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