

## Press Release

R K Industries

July 22, 2017



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 5.51 Cr.
<b>Long Term Rating</b>	SMERA B / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 5.51 crore bank facilities of R K Industries. The outlook is '**Stable**'.

R K Industries was established in 2012 as a partnership firm by Mr. Shashi Kiran, Mr. Linga Reddy and Mr. Thodupurnoori Reddy. The firm is engaged in the processing of parboiled rice and has installed capacity of 5 tons per hour. The manufacturing facility is located at Renikunta Village, Telangana.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The partners, Mr. Shashi Kiran, Mr. Linga Reddy and Mr. Thodupurnoori Reddy possess experience of over a decade in the food and agro industries.

- **Moderate scale of operations**

The firm has moderate scale of operations with revenue of Rs.15.45 crore in FY2016. In FY2015, RKI reported revenue of Rs. 11.07 crore. The firm booked revenue of Rs.17.00 crore in FY2017 (Provisional).

#### Weaknesses

- **Average financial risk profile**

The average financial risk profile is marked by low net worth of Rs. 1.76 crore as on 31 March, 2016, high gearing of 1.90 times, moderate interest coverage ratio of 2.04 times and debt service coverage ratio of 1.93 times in FY2016.

- **Working capital intensive operations**

The operations are working capital intensive marked by high GCA of 125 days in FY2016, an increase from 111 days in FY2015. This is mainly due to increase in inventory days to 190 in FY2016 as against 128 days in FY2015.

#### Analytical Approach

SMERA has considered the standalone financial and business risk profiles of RK Industries.

#### Outlook: Stable

SMERA believes that RKI will maintain a stable outlook in the medium term on account of its experienced management and moderate revenue scalability. The outlook may be revised to 'Positive' if the firm registers sustained increase in revenues and accruals with improvement in capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

### About the Rated Entity - Key Financials

For FY2015-16, RKI reported profit after tax (PAT) of Rs 0.07 crore on total operating income of Rs.15.45 crore, as compared with PAT of Rs.0.04 crore on total operating income of Rs.11.07 crore in FY2014-15.

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

### Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.51	SMERA B / Stable

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