



SMERA RATINGS LIMITED

Ramesh Kumar & Co (RKC)

Rating Rationale

February 25, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	10.00	SMERA B/Stable (Reaffirmed)
Cash Credit	2.50	SMERA B/Stable (Reaffirmed)
Packing Credit	3.50	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the ratings of '**SMERA B**' (read as **SMERA single B**) and '**SMERA A4**' (read as **SMERA A four**) on the Rs.16.00 crore bank facilities of Ramesh Kumar & Co. (RKC). The outlook is '**Stable**'. The ratings remain constrained by the firm's modest-scale operations in an intensely competitive segment of the rice industry. The ratings are also constrained by the firm's high leverage (debt-to-capital ratio) and low net profit margin. However, the ratings are supported by the firm's long track record of operations and experienced management.

Update

RKC's operating income has increased from Rs.72.66 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.83.16 crore in FY2013-14. The firm's leverage (debt-to-capital ratio) is high at 3.39 times as on March 31, 2014. RKC's net profit margin is low at 0.53 per cent in FY2013-14.

RKC benefits from its experienced management. Mr. Somnath Gupta, proprietor of RKC, has around three decades of experience in the firm's line of business.

Outlook: Stable

SMERA believes RKC will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained improvement in profitability and financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the firm's profitability and financial risk profile.

About the firm

RKC, established in 1982, is a Delhi-based proprietorship firm promoted by Mr. Somnath Gupta. RKC is engaged in trading of rice.

For FY2013-14, RKC reported profit after tax (PAT) of Rs.0.44 crore on operating income of Rs.83.16 crore, as compared with PAT of Rs.0.45 crore on operating income of Rs.72.66 crore in FY2012-13. The firm's net worth stood at Rs.2.67 crore as on March 31, 2014, as compared with Rs.3.04 crore a year earlier.

SMERA 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. SMERA ratings 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA ratings 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.smera.in) for the latest information on any instrument rated by SMERA.



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