

April 28, 2016

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

SMERA has upgraded the long term rating of '**SMERA B+**' (read as **SMERA B plus**) from '**SMERA B**' (read as **SMERA B**) and reaffirmed the short term rating of '**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 draw support from the long track record of operations and experienced management of the firm. However, the ratings remain constrained by the modest-scale of operations in an intensely competitive segment of the rice industry. The ratings are also constrained by the high leverage (debt-to-capital ratio) and low net profit margins.

Update

RKC's operating income has increased from Rs.83.16 crore in FY2013-14 (refers to financial year, April 01 to March 31) to Rs.204.48 crore in FY2014-15. The firm's leverage (debt-to-capital ratio) is high at 2.74 times as on March 31, 2015. RKC's net profit margin is low at 0.13 per cent in FY2014-15.

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

Outlook: Stable

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

Rating Sensitivity Factors

- Scaling up of operations while managing profitability margins
- Agro climatic risks

About the Firm

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

For FY2014–15, RKC reported profit after tax (PAT) of Rs.0.26 crore on operating income of Rs.204.48 crore, as compared with PAT of Rs.0.44 crore on operating income of Rs.83.16 crore in FY2013–14. The net worth stood at Rs.4.94 crore as on March 31, 2015, as compared with Rs.2.67 crore a year earlier.

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