

Press Release

Ramesh Kumar & Co

August 17, 2017



Rating Reaffirmed

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 16.00 Cr. |
| Long Term Rating | SMERA B+ / Outlook: Stable |
| Short Term Rating | SMERA A4 |

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 16.00 crore bank facilities of Ramesh Kumar & Co. The outlook is '**Stable**'.

Ramesh Kumar & Company (RKC) was established in 1982 by Mr. Somnath Gupta, the proprietor. The firm is a trader and exporter of rice (Basmati Rice, Idli Rice, Ponni Rice among others). The firm sells rice in the domestic market and also exports to Kuwait and other south east Asian countries.

Key Rating Drivers

Strengths

- **Extensive experience of the proprietor**

The proprietor, Mr. Gupta has more than two decades of experience in the rice trading business. The extensive experience has helped it establish long term relations with customers and suppliers.

- **Locational advantage**

The warehouse of the firm is located at Karnal near New Delhi which offers locational advantage considering that the area has ample production of rice. A number of rice mandis are located in Punjab, UP and Haryana. The firm procures rice from mandis and milling companies.

- **Improved financial profile**

The financial profile of the firm has improved mainly on account of improvement in gearing to 1.26 times as on 31 March, 2016 as against 2.74 times in the previous year. This is mainly on account of moderate utilisation of working capital facility, retention of profits and further infusion of capital. The networth stood at Rs.6.66 crore in FY2016 as against Rs. 4.94 crore in FY2015. The working capital facility of the firm mainly consists of cash credit facility. The Interest coverage ratio (ICR) stood at 1.57 times in FY2016 as against 1.33 times in FY2015.

Weaknesses

- **Competitive and fragmented industry**

The firm is exposed to intense competition in the industry.

- **Decline in sales and profitability**

The operating margins declined to 0.61 percent in FY2016 from 0.75 percent in FY2015 and 1.36 percent in FY2014 mainly due to intense competition in the rice trading business. Moreover, the revenue in FY2016 declined to Rs.144.58 crore from Rs. 204.48 crore mainly due to fall in the sales price. However, the firm achieved revenue of Rs.178 crore in FY2017 (Provisional).

- **Absence of hedging policy**

The firm sells rice in the domestic market as well as exports to Kuwait and other south East Asian countries. In FY2016, 11 per cent of the total sales of Rs.144.58 crore constituted exports with the balance sold in the local market. Further, the firm is exposed to foreign exchange fluctuation risk in the absence of hedging mechanism.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of RKC to arrive at the rating.

Outlook: Stable

SMERA believes that RKC will maintain a stable outlook in the medium term owing to its established operations and extensive experience of the promoter in the business. The outlook may be revised to 'Positive' in case of improvement in profitability and net worth. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in profitability and net worth.

About the Rated Entity - Key Financials

For FY2016, RKC reported Profit after Tax (PAT) of Rs. 0.22 crore on total operating income of Rs. 144.58 crore compared with PAT of Rs 0.26 crore on total operating income of Rs. 204.48 crore in FY2015. The tangible net worth stood at Rs. 6.66 crore as on 31 March, 2016 as against Rs. 4.94 crore in the previous year.

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|---------------|---------------------------------|------------|------------------|-------------------------------|
| 28 April 2016 | Cash Credit | Long Term | 10.00 | SMERA B+/ Stable (Upgraded) |
| | Cash Credit | Long Term | 2.50 | SMERA B+/ Stable (Upgraded) |
| | Packing Credit | Short Term | 3.50 | SMERA A4 (Reaffirmed) |
| 25 Feb 2015 | Cash Credit | Long Term | 10.00 | SMERA B+/ Stable (Reaffirmed) |
| | Cash Credit | Long Term | 2.50 | SMERA B+/ Stable (Reaffirmed) |
| | Packing Credit | Short Term | 3.50 | SMERA A4 (Reaffirmed) |
| 24 July 2014 | Cash Credit | Long Term | 10.00 | SMERA B+/ Stable (Assigned) |

| | | | | |
|--|----------------|------------|------|-----------------------------|
| | Cash Credit | Long Term | 2.50 | SMERA B+/ Stable (Assigned) |
| | Packing Credit | Short Term | 3.50 | SMERA A4 (Assigned) |

*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 | 10.00 | SMERA B+ / Stable |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 2.50 | SMERA B+ / Stable |
| PC/PCFC | Not Applicable | Not Applicable | Not Applicable | 3.50 | SMERA A4 |

Contacts

| Analytical | Rating Desk |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Vinayak Nayak, Head – Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in | Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in |
| Pawan Punmaji Rating Analyst Tel: 022-67141352 pawan.punmaji@smera.in | |

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A 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.