

## Press Release

Ramesh Kumar & Co

September 25, 2018



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 16.00 Cr.
<b>Long Term Rating</b>	ACUITE B+ / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

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

The Delhi based, RKC was incorporated in 1982 by Mr. Somnath Gupta as a proprietary firm. The firm is engaged in the trading of rice (Basmati Rice, Idli Rice, Ponni Rice, Pusa Basmati Rice, Sona Masoori Rice and Super Basmati Rice).

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of RKC for arriving at the rating.

### Key Rating Drivers:

#### Strengths

- **Extensive experience of the proprietor**

The Proprietor has more than three decades of experience in the rice trading business. The extensive experience of the promoter has helped the firm in establish long term relations with its customers and suppliers.

- **Location advantage**

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

- **Comfortable working capital cycle**

The working capital cycle of RKC is comfortable at 86 days in FY2018 (Provisional) as against 80 days in FY2017. The inventory holding period increased to 39 days in FY2018 (Provisional) from 28 days in FY2017. The receivable days stood at 34 days in FY2018 (Provisional) against 31 days in FY2017. Creditor days stood at 21 in FY2018 (Provisional) from 29 days in FY2017. Acuité believes that the firm will maintain efficient working capital management over the near to medium term.

#### Weaknesses

- **Average financial risk profile**

The financial risk profile of the firm is characterised by moderate net worth, gearing and debt protection measures. The net worth base stood at Rs.10.10 crore as on March 31, 2018 (Provisional) as compared to Rs.6.50 crore as on March 31, 2017. The gearing stood at 1.96 times as on March 31, 2018 (Provisional) as compared to 2.73 times as on March 31, 2017. The total debt of Rs.19.82 crore as on March 31, 2018 (Provisional) includes long term of Rs.0.13 crore, unsecured loans for promoter/ relatives of Rs.0.88 crore and short term working capital borrowings of Rs.18.81 crore. The interest coverage stood at 1.30 times for FY2018 (Provisional) against 1.44 times for the previous year. The net cash accruals to total debt (NCA/TD) stood same.

at 0.02 times for FY2018 (Provisional) and FY2017.

**• Competitive and fragmented industry**

The rice trading business is marked by entry of several small, medium and big players due to high demand of Basmati rice in the local and export countries, which poses stiff competition in the industry.

**• Absence of hedging policy**

The firm sells rice domestically as well as in the export market to Kuwait and other south East Asian countries. Export sales constitute approximately 30-35 percent of the total sales of the firm. Further, the firm does not have any hedging mechanism in place which exposes the firm to foreign exchange fluctuation risk.

**Outlook: Stable**

Acuité believes that RKC will maintain 'Stable' business risk profile in the context of the management's extensive experience in the industry and long track record of operations. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals with further improvement in its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues or in case of elongation of working capital cycle or further deterioration of financial risk profile.

**About the Rated Entity - Key Financials**

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	154.52	179.79	144.58
EBITDA	Rs. Cr.	1.67	1.07	0.89
PAT	Rs. Cr.	0.26	0.20	0.22
EBITDA Margin	(%)	1.08	0.60	0.61
PAT Margin	(%)	0.17	0.11	0.15
ROCE	(%)	5.68	4.90	4.64
Total Debt/Tangible Net Worth	Times	1.96	2.73	1.26
PBDIT/Interest	Times	1.30	1.44	1.57
Total Debt/PBDIT	Times	11.89	16.20	9.50
Gross Current Assets (Days)	Days	86	80	54

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

Not Applicable

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

**Note on complexity levels of the rated instrument**

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Aug-2017	Cash Credit	Long Term	10.00	ACUITE B+ / Stable (Reaffirmed)
	Cash Credit	Long Term	2.50	ACUITE B+ / Stable (Reaffirmed)
	Packing Credit	Short Term	3.50	ACUITE A4 (Reaffirmed)
28-Apr-2016	Cash Credit	Long Term	10.00	ACUITE B+ / Stable (Upgraded)
	Cash Credit	Long Term	2.50	ACUITE B+ / Stable (Upgraded)
	Packing Credit	Short Term	3.50	ACUITE A4 (Upgraded)
25-Feb-2015	Cash Credit	Long Term	10.00	ACUITE B / Stable (Reaffirmed)
	Cash Credit	Long term	2.50	ACUITE B / Stable (Reaffirmed)
	Packing Credit	Short term	3.50	ACUITE A4 (Reaffirmed)

### \*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	ACUITE B+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B+ / Stable (Reaffirmed)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4 (Reaffirmed)

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**About Acuité Ratings & Research:**

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