

**Rational Business Corporation Private Limited**

March 02, 2021

**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	17.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; (Double B; Outlook: Stable)
Long Term / Short Term Bank Facilities	15.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B Plus ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable / CARE A4; (Double B ; Outlook: Stable / A Four)
Short Term Bank Facilities	13.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>45.00</b> <b>(Rs. Forty-Five</b> <b>Core Only)</b>		

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

CARE had, vide its press release dated December 03, 2019, placed the rating of Rational Business Corporation Private Limited (RBCPL) under the 'issuer non-cooperating' category as RBCPL failed to provide information for monitoring of the rating. RBCPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated February 25, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.***

The rating assigned to the bank facilities of RBCPL has been revised on account of non-availability of requisite information due to non-cooperation by RBCPL with CARE's efforts to undertake a review of the outstanding rating. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to be constrained by the low profitability margins with susceptibility to volatility in the prices of raw material, weak capital structure, and highly competitive and fragmented nature of industry. The rating however, derives strength from experienced promoters, diversified product portfolio and established marketing network.

**Detailed description of the key rating drivers**
**Key Rating Weaknesses**

**Low profitability margins, susceptible to volatility in the prices of raw material:** On account of low value additive nature of the business, the profitability margins of the company have remained low, marked by PBILDT and PAT margins of 6.19% and 0.70%, respectively in FY18. RBCPL uses raw paper roll which is purchased mainly from the domestic market. The prices of raw paper rolls are volatile and move in tandem with the international paper prices. Therefore, the operating profitability of the company remains highly susceptible to any volatility in raw material prices.

**Highly competitive and fragmented nature of industry:** The paper product industry is highly fragmented in nature with stiff competition from large number of organized as well as unorganized players. This limits the pricing power of the manufacturers and puts further pressure on profitability.

### Key Rating Strengths

**Experienced promoters:** The operations of the company are being managed by the two directors- Mr. Ashok Gupta and Mr. Ashish Gupta who have been associated with the company since its inception. Mr. Ashok Gupta and Mr. Ashish Gupta have an experience of more than two and half decades and around two decades, respectively, in the industry through their association with RBCPL.

**Diverse product portfolio with an established marketing network:** RBCPL is engaged in the manufacturing of a large variety of office and computer stationery, thereby reducing concentration risk on a few products. Further, the diversified product portfolio enables RBCPL to market and sell these products directly to its customers and also through dealer network, thereby reducing customer concentration risk. The company is engaged in the manufacturing of office and computer stationery such as labels, paper rolls, paper sheets, notepads, tonners etc., under the brand names 'Desmat' and 'Xprint' through its retail network located pan India.

**Analytical approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Liquidity analysis of Non-financial sector entities](#)

[Financial ratios –Non-Financial Sector](#)

[CARE's methodology for manufacturing companies](#)

[Criteria for short term instruments](#)

### About the Company

Rational Business Corporation Private Limited (RBCPL) was established as a proprietorship concern, by the name Rational Business Corporation, in 1989, by Mr. Radhey Shyam Gupta. In 2006, the constitution of the firm was changed to private limited. RBCPL is engaged in the manufacturing of office and computer stationery such as labels, paper rolls, paper sheets, photo paper, lamination products, signage products etc. RBCPL sells these products under the brand names of 'Desmat' and 'Xprint' directly to airline companies, Indian Railways, multiplexes, malls, courier companies, telecommunication companies, food retail chains and through retail network across pan India.

Brief Financials (Rs. crore)	FY17 (A)	FY18(A)
Total operating income	186.70	147.10
PBILDT	8.62	9.10
PAT	0.97	1.03
Overall gearing (times)	4.39	3.64
Interest coverage (times)	1.67	1.65

A: Audited

**Status of non-cooperation with previous CRA:** CRISIL has reviewed the ratings on the basis of best available information and classified RBCPL as 'non-cooperating' vide PR dated March 24, 2020.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	2.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits	-	-	-	15.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	13.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Working Capital Limits	-	-	-	15.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	2.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (03-Dec-19)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (10-Aug-18)	1)CARE BBB-; Stable (28-Aug-17)
2.	Fund-based - LT-Working Capital Limits	LT	15.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (03-Dec-19)	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (10-Aug-18)	1)CARE BBB-; Stable (28-Aug-17)
3.	Non-fund-based - ST-BG/LC	ST	13.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (03-Dec-19)	1)CARE A4+; ISSUER NOT COOPERATING* (10-Aug-18)	1)CARE A3 (28-Aug-17)
4.	Fund-based - LT/ ST-Working Capital Limits	LT/ST	15.00	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (03-Dec-19)	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (10-Aug-18)	1)CARE BBB-; Stable / CARE A3 (28-Aug-17)

\*Issuer did not cooperate; Based on best available information

**Annexure-3: Detailed explanation of covenants of the rated facilities: Not applicable**

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - LT-Working Capital Limits	Simple
3.	Fund-based - LT/ ST-Working Capital Limits	Simple
4.	Non-fund-based - ST-BG/LC	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

### Contact us

#### Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

#### Analyst Contact

Group Head Name – Mr. Sudeep Sanwal

Group Head Contact no.: +91-0172-4904025

Group Head Email ID- [sudeep.sanwal@careratings.com](mailto:sudeep.sanwal@careratings.com)

#### Relationship Contact

Name: Mr. Anand Jha

Contact no.: +91-0172-4904000/1

Email ID : [anand.jha@careratings.com](mailto:anand.jha@careratings.com)

#### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.