

## R & T Business Syndicate

April 5, 2017

### Ratings

Facilities	Amount (Rs. Crore)	Ratings <sup>1</sup>	Ration Action
Long-term Bank Facilities	1.50	<b>CARE B; Stable (Single B; Outlook: Stable)</b>	Assigned
Short-term Bank Facilities	<b>3.50</b>	<b>CARE A4 (A Four)</b>	Assigned
<b>Total Facilities</b>	<b>5.00 (Rupees Five crore only)</b>		

*Details of instruments/facilities in Anneuxre-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of R & T Business Syndicate (RTBS) are constrained by relatively small scale of operations along with small networth base, low profit margins and working capital intensive nature of operations. The ratings are further constrained by susceptibility of profit margins to volatile prices of traded goods, customer & supplier concentration risk, foreign exchange fluctuation risk, partnership nature of constitution and its presence in a highly competitive and fragmented electrical goods trading industry.

The aforementioned constraints are partially offset by the strength derived from vast experience of the promoters in the electrical goods trading industry and their demonstrated financial support and comfortable capital structure and debt protection metrics.

The ability of RTBS's to increase its scale of operations with improvement in profit margins amidst intense competition along with efficiently managing working capital requirement are the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

#### Detailed description of the key rating drivers

#### Key Rating Strengths

**Experienced promoters:** The promoters of RTBS have experience over two decades in the electronic products industry and also look after the overall operations. The promoters have infused funds to meet working capital requirement.

**Comfortable capital structure:** In the absence of long-term borrowing and short-term borrowing, RTBS's capital structure remained comfortable as on March 31, 2016, on account of infusion of unsecured loan by the partners to meeting working capital requirement in FY16 (refers to the period April1 to March 31) without depending on external borrowings. However, the same is expected to deteriorate with increase in due to availing of cash credit facilities of Rs.1.50 crore in FY17.

#### Key Rating Weaknesses

**Relatively scale of operations:** Since the firm is into operation for 10 months in FY16, it has recorded total operating income of Rs.0.38 crore and networth base remained low due to nascent stage of operation limiting financial flexibility.

**Concentrated customer and supplier base:** The customer base of the entity remained concentrated with top client and suppliers contributing majority towards total income and purchases respectively.

<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

**Susceptibility of profitability margins to volatile prices of traded goods and forex rates:** The profitability of the entity remained low since FY16 being first year of operation and remained thin owing to trading nature of operations. RTBS procures tradable goods from the open market which exposes it to the fluctuation in key raw material prices as tradable goods purchase cost contributed 72.44% during FY16. Thus, the entity is exposed to inherent risk associated in purchase cost of traded goods. : RTBS's traded material prices have been fluctuating in the past and therefore the cost base remains exposed to any adverse price fluctuations of the key goods traded. However, the company books material based on orders from customer and maintains minimum inventory level to mitigate material price fluctuation risk. Furthermore, during FY16, RTBS has neither earned nor incurred any forex loss in FY16. Entity hedges the risk by taking forward contract; however, considering current volatility in foreign exchange rates, managing the foreign exchange fluctuation risk would be critical from the credit perspective.

**Working capital intensive nature of operation:** RTBS's operations remained working capital intensive in nature. RTBS's working capital cycle remained moderate in FY16 owing to funds being blocked in debtors (since the company extended credit of 30-60 days to its customers). Furthermore, the collection period is expected to remain high since the entity extends 30-60 days of credit to customers to maintain goodwill & relationship in the market.

Net working capital (NWC) as a percentage of Total capital employed (TCE) was around 99.95% as on March 31, 2016. Going forward, the ability of the company to manage its working capital requirements is critical from the credit risk perspective.

**Presence in fragmented & competitive trading industry**

Trading industry is a highly fragmented industry and there are large numbers of organized and unorganized players which has led to high competition in the industry. Also, on account of its trading nature of business, the entry barriers are low leading to stiff competition for the company. However, risk is partially mitigated as RTBS has established relations with the customers and have been dealing with the same since inception.

**Analytical approach – Standalone**

**Applicable Criteria**

[CARE's methodology for wholesale trading companies](#)

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

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Criteria for Short Term Instruments](#)

**About the Company**

Established in 2015, R & T Business Syndicate (RTBS) is engaged in trading of LED Lights, Base Paper, Glass. The company's main promoters Mr Rajeshkumar Gothi has around 20 years of experience and Mr Trilokkumar Gothi has done MBA (Marketing) and has around 8 years of experience.

The major customers of RTBS are into manufacturing of Laminates. The company imports its tradable goods from China.

During FY16, RTBS registered total income of Rs.0.38 crore. During 9MFY17 (refers to the period April 1, 2016 to December 31, 2016), the company has recorded total sales of Rs.0.65 crore (43.33% of the projected ToI of Rs.1.50 crore in FY17).

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not applicable

**Rating History (Last three years):** Please refer Annexure-2

**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.

**Analyst Contact**

Name: Nitin Jha

Tel: 02267543676

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

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.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.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

**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-Cash Credit	-	-	-	1.50	CARE B; Stable
Non-fund-based - ST-Letter of credit	-	-	-	3.50	CARE A4

**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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Cash Credit	LT	1.50	CARE B; Stable	-	-	-	-
2.	Non-fund-based - ST-Letter of credit	ST	3.50	CARE A4	-	-	-	-

**CONTACT****Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: [amod.khanorkar@careratings.com](mailto:amod.khanorkar@careratings.com)**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)**AHMEDABAD****Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: [mehul.pandya@careratings.com](mailto:mehul.pandya@careratings.com)

Tel: +91-40-4010 2030

E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)**CHANDIGARH****Mr. Sajan Goyal**SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: [sajan.goyal@careratings.com](mailto:sajan.goyal@careratings.com)**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.

Cell : + 91 90520 00521

CIN - L67190MH1993PLC071691