

R And T Business Syndicate

March 14, 2018

Ratings

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|--|---|---|
| Long Term Bank Facilities | 1.50 | CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; ISSUER NOT COOPERATING*) | Issuer not cooperating; Based on the best available information |
| Short Term Bank Facilities | 3.50 | CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*) | Issuer not cooperating; Based on the best available information |
| Total Facilities | 5.00 (Rupees Five Crore Only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from R And T Business Syndicate (RTBS) to monitor the rating(s) vide e-mail communications / letters dated March 05, 2017, December 20, 2017, October 30, 2017 and October 09, 2017 and numerous phone calls. E-mail communications / letters seeking information are attached as Annexure I. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on VJPL's bank facilities will now be denoted as "**CARE BB+; ISSUER NOT COOPERATING***".

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

The ratings take into account the small scale of operations along with small networth base, low profit margins and working capital intensive nature of operation, The rating are further constrained by susceptibility of profitability margins to volatile prices of traded goods, customer & supplier concentrated base, foreigner exchange fluctuation risk, partnership nature of constitution and its presence in highly competitive and fragmented electrical goods trading industry.

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

Detailed description of the key rating drivers

Key rating Weakness

Small scale of operations: The total operating income has significantly improved and stood to 1.66 crore in FY17 (vis-à-vis Rs.0.38 crore in FY16) on account of receiving more orders from existing customers coupled with addition of new customers. Further networth base remained low limiting its financial flexibility, same stood at Rs.0.89 crore as on March 31, 2017.

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

Working capital intensive nature of operations: RTBS's operations remained working capital intensive in nature. RTBS's working capital cycle remained moderate in FY17 owing to funds being blocked in debtors (since the company extend credit of 30-60 days to its customers to maintain goodwill & relationship in the market). Furthermore, cash flow from operating activities remained positive in FY17. Going forward, the ability of the company to manage its working capital requirements is critical from the credit risk perspective.

Susceptibility of profitability margins to volatile prices of traded goods: 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.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Foreign exchange fluctuation risk: The entity imports its tradable goods from China based firms and 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.

Presence in competitive and fragmented 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.

Key Rating Strengths:

Experienced promoter and established presence in industry: 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 and debt protection metrics: In the absence of long-term borrowing and short-term borrowing, RTBS's capital structure remained comfortable as on March 31, 2017.

Analytical Approach: Standalone

Applicable Criteria

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

About the company

Established in 2015, R & T Business Syndicate (RTBS) is engaged in trading of LED Lights, Base Paper and Glass. The company's main promoter 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.

| Brief Financials (Rs. crore) | FY16 (A) | FY17 (A) |
|------------------------------|----------|----------|
| Total operating income | 0.38 | 1.66 |
| PBILDT | 0.00 | 0.12 |
| PAT | 0.00 | 0.04 |
| Overall gearing (times) | 0.04 | 0.00 |
| Interest coverage (times) | 1.00 | 1.52 |

A: Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for 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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at 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.

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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.

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; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information |
| Non-fund-based - ST-Letter of credit | - | - | - | 3.50 | CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information |

*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 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fund-based - LT-Cash Credit | LT | 1.50 | CARE B; Stable; ISSUER NOT COOPERATING* | 1)CARE B; Stable (05-Apr-17) | - | - | - |
| 2. | Non-fund-based - ST-Letter of credit | ST | 3.50 | CARE A4; ISSUER NOT COOPERATING* | 1)CARE A4 (05-Apr-17) | - | - | - |

*Issuer did not cooperate; based on best available information

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