

## R And T Business Syndicate

May 06, 2019

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	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
<b>Total Facilities</b>	<b>5.00</b> <b>(Rupees Five Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 14, 2018, placed the rating(s) of R And T Business Syndicate (RTBS) under the 'issuer non-cooperating' category as R And T Business Syndicate had failed to provide information for monitoring of the rating. R And T Business Syndicate continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter dated April 09, 2019. 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(s).**

### Detailed description of the key rating drivers

*At the time of last rating on March 14, 2018 the following were the rating strengths and weaknesses: (Updated for the information available from FY18 audited results received from client):*

#### Key rating Weakness

**Small scale of operations:** The total operating income has improved by 16.87% y-o-y and stood at Rs.1.94 crore in FY18 (vis-a-vis Rs.1.66 crore in FY17) on account of receiving higher orders from existing customers. Further networth base and cash accrual of the firm has remained low at Rs.0.78 crore and Rs.0.08 crore respectively as on March 31, 2018. Small scale of operation coupled with low capitalization base restricts the firm's financial flexibility in the times of stress and deprives it from scale benefits.

**Working capital intensive nature of operations with moderate liquidity position:** The operations of the firm remained working capital intensive in nature being major of the funds are blocked in receivables and inventory. Further the operating cycle has been elongated from 94 days in FY17 to 115 days in FY18 on account of increase in inventory period. its liquidity position remained moderate marked by comfortable current ratio of 1.96x times and quick ratio of 1.07x times as on March 31, 2018. Furthermore, cash flow from operating activities remained positive in FY18. 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.

**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.

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

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

**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:** The capital structure and debt coverage indicators of the firm continues to remains at comfortable during last three financial years ended as on March 31, 2018 owing to low dependence on external borrowings. However during FY18 it has marginally deteriorated and stood at 0.23x times and 2.30x times respectively owing to higher utilization of working capital limits

**Analytical approach:** Standalone

**Applicable Criteria**

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

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

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

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

[CARE's Rating Methodology - Wholesale Trading](#)

[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 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)	FY17 (A)	FY18 (A)
Total operating income	1.66	1.94
PBILDT	0.12	0.12
PAT	0.04	0.08
Overall gearing (times)	0.00	0.23
Interest coverage (times)	1.52	2.78

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](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.

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

**About CARE Ratings:**

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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; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	1.50	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (14-Mar-18) 2)CARE B; Stable (05-Apr-17)	-
2.	Non-fund-based - ST-Letter of credit	ST	3.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (14-Mar-18) 2)CARE A4 (05-Apr-17)	-

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

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