



Press Release

Uttam Chand Rakesh Kumar

October 17, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	81.63 (reduced from 82.00)	IVR BB+/ Stable (IVR Double B plus with stable outlook)	IVR BB/ Stable (IVR Double B with Stable outlook)	Upgraded	Simple
Total	81.63 (INR eighty-one crore sixty-three lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has upgraded the long-term rating assigned to the bank facilities of Uttam Chand Rakesh Kumar (UCRK) on the back of significant improvement in the profits and leverage ratios in FY2024 (refers to the period 1st April 2023 to 31st March 2024). The rating also derive strength from the experienced partners with established track record of operations, healthy operating performance in FY24 despite fall in revenues, moderate capital structure with modest coverage ratios, and healthy expectation of demand growth across India for dry fruits. However, these rating strengths are partially constrained by the fact that UCRK has volatility in prices of dry fruits, highly competitive intensity, and risks associated with the partnership constitution.

The outlook remains stable as the entity will continue to benefit from long track record of operations and the extensive experience of the partners

Key Rating Sensitivities:

Upward Factors

- Scale up of operations leading to improved profits and cash accruals.
- Reduction in leverage and improvement in the coverage indicators.

Downward Factors

- Steady increase in operating cycle



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- Any abrupt volatility in supply of dry fruits from international markets and/or volatility in purchase and/or selling prices of dry fruits.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced partners with established track record of operations

Uttam Chand Rakesh Kumar (UCRK) was started in 2008 as a partnership firm by Mr. Rakesh Kumar Bhatia, Mr Motilal Bhatia (father of Rakesh Bhatia) and Mr. Akshay Bhatia (son of Rakesh Bhatia). In 2013, Mr. Motilal Bhatia passed away and his share was passed on to Mr. Rakesh Bhatia. Before forming the partnership firm, Mr. Rakesh Kumar Bhatia was actively engaged with his father in the trading of dry fruits for multiple decades. This experience has been handy for Mr. Rakesh Kumar Bhatia to steer the firm through various ups and downs smoothly.

Healthy operating performance in FY24 despite fall in revenues

The operating income of the firm declined to Rs 364.99 crore in FY24 from Rs. 390.19 crore in FY23 (refers to the period 1st April 2022 to 31st March 2023), depicting a decline of ~6% on a Y-o-Y basis. That was primarily because of sharp fall in price of almonds in the wholesale market. The EBITDA in absolute term, however, increased by ~45% from INR 7.78 crore during FY23 to INR 11.24 crore during FY24, primarily because of increased reduction in purchase price of almonds compared to its selling price in FY24. Owing to similar level of depreciation and slightly higher interest cost during FY24 compared to FY23, PAT increased by ~108% YoY from INR 0.81 crore during FY23 to INR 1.68 crore during FY24. The gross cash accruals (GCA) of the firm improved from INR 0.89 crore in FY23 to INR 1.78 crore in FY24. The EBITDA margin increased from 1.99% in FY23 to 3.08% in FY24, the PAT margin increased from 0.21% in FY23 to 0.47% in FY24.

Moderate capital structure with modest coverage ratios

The total debt of the firm decreased from INR 87.78 crore as on 31st March 2023 to INR 86.13 crore as on 31st March 2024, which was primarily attributable to repayment of term loans,



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which decreased from INR 15.88 crore as on March 31, 2023 to INR 12.96 crore as on March 31, 2024. Moreover, unsecured loan of INR 11.76 Cr has been considered as quasi equity. This resulted in the improvement of the long-term debt equity ratio on adjusted tangible net worth from 1.35x as on March 31, 2023 to 0.59x as on March 31, 2024. Similarly, the overall gearing ratio also improved from 7.45x as on March 31, 2023 to 3.89x as on March 31, 2024. The interest coverage ratio slightly improved from 1.07x during FY23 to 1.18x during FY24 on account of increase in absolute EBITDA. The DSCR remained same at to 1.10x during FY24. Moreover, the TOL/TNW deteriorated slightly from 8.47x as on March 31, 2023 to 4.43x as on March 31, 2024..

Healthy expectation of demand growth across India for dry fruits

The rising trend of consumption of dry fruits across middle-class and upper middle-class households in India bodes well for the firm. Gone are the days when dry fruits were considered as a luxury item and was savoured mostly by the affluent class. India's dry fruit market has been experiencing impressive growth, with a steady 16-18 percent compounded annual growth rate (CAGR) even before the pandemic. However, the post-pandemic period has witnessed a surge in demand for healthy snacking options, leading to increased interest in the market. India ranks second in terms of consumption for popular dry fruits like peanuts, almonds, and cashews. The country holds the third position for raisins, fourth for dried figs, sixth for walnuts, and seventh for dates. These statistics demonstrate the significant appetite for dry fruits among Indian consumers, which would obviously impact UCRK favourably.

Key Rating Weaknesses

Volatility in prices of dry fruits

The volatility in purchase prices and selling prices of dry fruits is a major worrying sign for dry fruits traders including UCRK. Volatility in prices of dry fruits can have a negative impact on the topline and bottom-line of all these traders particularly when prices drop sharply. Further, all these players are purely into trading with no value addition whatsoever. Because of these two reasons, margins of all players including UCRK are very thin and the only way to make sizeable profits is through boosting scale of operations along with controlling operating costs.



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Highly competitive intensity

UCRK is present in an industry, which has a large number of players, mostly in the unorganised sector spread across the country. This creates a very highly competitive intensity, putting pressure on wholesale prices and profit margins of the players, including UCRK. As a result of the low pricing power, the only way to make sizeable profits is by increasing the scale of operations and controlling costs.

Risks associated with the partnership constitution

Given UCRK's constitution as a partnership firm, it remains exposed to discrete risks, including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon the death, retirement, or insolvency of partners.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The firm had a comfortable current ratio of 1.38x as on March 31, 2024. Current ratio is expected to remain around 1.34x between March 31, 2025 and March 31, 2027. Moreover, the GCA for the projected period comfortably covers the debt repayment obligations of that particular period. The average utilisation of fund based working capital limits was ~95% between July 2023 and June 2024. No capex is planned for the projected period which gives some liquidity cushion. Cash and Bank balance along with free FD balance as on 31.03.2024 was INR 1.27 crore.

About the Company



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Uttam Chand Rakesh Kumar was established as a partnership firm in 2008. However, the key partner, Rakesh Kumar Bhatia had been in the business of dry fruit trading since more than 40 years. His father and grandfather were also in the same business. The other partner in the business is his son, Akshay Bhatia who joined the partnership in 2008. The partnership firm is engaged in the trading of dry fruits and spices, viz., cloves, poppy seeds, cumin seeds, etc. It imports the dry fruits from USA, UAE, Turkey, Australia, etc., and sells those in India to wholesalers spread across the country.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	390.19	364.99
EBITDA	7.78	11.24
PAT	0.81	1.68
Total Debt	87.78	86.13
Tangible Net Worth	11.77	22.13
EBITDA Margin (%)	1.99	3.08
PAT Margin (%)	0.21	0.46
Overall Gearing Ratio (x)	7.45	3.89
Interest Coverage (x)	1.07	1.18

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

ACUITE Ratings continues to maintain the rating of UCRK in the Issuer Non-Cooperating category as the entity did not cooperate in the rating procedure despite repeated follow ups as per the Press Release dated Nov 29, 2023.

Brickwork Ratings continues to maintain the rating of UCRK in the Issuer Non-Cooperating category as the entity did not cooperate in the rating procedure despite repeated follow ups as per the Press Release dated Mar 29, 2024.

CRISIL Ratings continues to maintain the rating of UCRK in the Issuer Non-Cooperating category as the entity did not cooperate in the rating procedure despite repeated follow ups as per the Press Release dated May 27, 2024.



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Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					(Sep 05, 2023)	-	-
1.	Guaranteed Emergency Credit Lines	Long Term	1.63	IVR BB+/Stable	IVR BB/Stable	-	-
2.	Cash Credit	Long Term	80.00	IVR BB+/Stable	IVR BB/Stable	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL 1	-	-	-	Jan 2025	0.42	IVR BB+/ Stable
GECL 2	-	-	-	Dec 2027	1.21	IVR BB+/ Stable
Cash Credit 1	-	-	-	-	15.00	IVR BB+/ Stable
Cash Credit 2	-	-	-	-	25.00*	IVR BB+/ Stable
Cash Credit 2	-	-	-	-	40.00	IVR BB+/ Stable

* WCDL is a sub limit of CC

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-UttamChand-oct24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.