

Press Release

29 May, 2017

Rajkripal Exim Private Limited

Rating Reaffirmed

Total Bank Facilities Rated *	Rs. 30.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 30.00 crore bank facilities of Rajkripal Exim Private Limited. The outlook is '**Stable**'.

RajKripal Exim Private Limited (REPL) incorporated in 2004 by Mr. Sameer Garg and Mrs Reeta Garg is engaged in the manufacturing of plywood and trading of timber. The company imports timber from Malaysia, New Zealand, African and South American countries. The manufacturing facility is located at Gandhidham.

Key Rating Drivers

Strengths

• Experienced management

The RajKripal Group (RKG) is led by Mr Garg and family which has been in the business for several decades. Currently, the business is managed by Mr. Sameer Garg. The business is also joined by the sixth generation, Mr. Shaswat Garg (son of Mr. Sameer Garg). The company benefits from the extensive experience of the management in the business.

• Moderate financial risk profile

REPL has moderate financial risk profile marked by gearing of 1.69 times for FY2016 as against 1.65 times for FY2015. The ICR stood at 1.87 times in FY2016 as against 1.72 times in FY2015. The EBITDA margins stood at 3.41 per cent for FY2015-16. The PAT margins stood at 0.44 per cent in FY2016 as against 0.36 times in FY2015. The TOL/TNW stood high at 6.80 times for FY2015-16.

Weaknesses

• Competitive and highly fragmented industry

REPL operates in a highly fragmented industry wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

- **Foreign exchange fluctuation risk**

REPL imports timber from Malaysia and New Zealand and is thus exposed to foreign exchange fluctuation risk. The company mitigates this risk by booking forward contracts.

- **Working capital intensive operations**

The operations are working capital intensive with high debtor days of 64 in FY2015-16 as against 71 in FY2014-15. The creditor days stood at 130 in FY2015-16 as against 136 in the previous year while the inventory days were 58 in FY2015-16 as against 41 days last year.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of Rajkripal Exim Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that REPL will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company achieves the projected revenues. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs 0.29 crore on operating income of Rs 64.92 crore, as compared with PAT of Rs.0.23 crore on operating income of Rs.63.07 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Feb-2016	Cash Credit	Long Term	INR 4	SMERA BB- / Stable
	Fund based (Proposed)	Long Term	INR 1	SMERA BB- / Stable
	Letter of Credit	Short Term	INR 25	SMERA A4+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Letter of credit	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA A4+
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA BB-/Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB- / Stable

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ABOUT SMERA

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