

Press Release

Rajkripal Exim Private Limited

August 23, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

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

REPL was incorporated in 2004 by Mr. Sameer Garg and Mrs. Reeta Garg. The company is engaged in the business of manufacturing of plywood and trading of timber. The company imports timber from Malaysia, New Zealand, African and South American countries. The firm is operating via Kandla port and the manufacturing facility is located at Gandhidham (Gujarat).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of REPL to arrive at this rating.

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**

The financial risk profile is marked by moderate net worth, high gearing and moderate debt protection measures. The net worth stood at Rs4.64 crore as on 31 March, 2017 as compared to Rs.4.04 crore as on 31 March, 2016. The debt-equity stood at 2.02 times in FY2017 as compared to 1.69 times in the previous year. Moreover, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.16 times while Debt Service Coverage Ratio (DSCR) stood at 2.11 times as on March 31, 2017. Interest Coverage Ratio (ICR) stood at 2.31 times in FY2017 as compared to 1.87 times in FY2016.

Weaknesses

- **Competitive and fragmented nature of business**

The company is engaged in the trading of teak wood imported from countries like Malaysia, New Zealand, African and South American countries. The company sells teak wood to traders located across India. The industry is marked by the presence of several medium to big size players. Hence due to trading nature of business, the profitability margins of the company are thin.

- **Exposed to risk related with foreign exchange fluctuations**

Entire procurement of the company is dollar denominated. Any adverse fluctuations in the foreign exchange rate i.e. Dollar vs Rupees may lead to costlier imports for the company. The imports of the company are exposed to risk related with different regulatory changes in domestic and foreign countries. The imports of the company are subject to import duty by the government of India and any increase in the import duty may affect the imports price for the company. The

company is also exposed to the risk related in foreign countries as the company imports 100 percent of the teak.

Outlook: Stable

Acuité believes that REPL will maintain a 'Stable' business profile in the medium term owing to the experienced management. The outlook may be revised to 'Positive' in case the company achieves improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	54.16	64.92	63.07
EBITDA	Rs. Cr.	2.85	2.21	2.40
PAT	Rs. Cr.	0.59	0.29	0.23
EBITDA Margin	(%)	5.27	3.41	3.81
PAT Margin	(%)	1.09	0.44	0.36
ROCE	(%)	17.80	17.12	16.70
Total Debt/Tangible Net Worth	Times	2.02	1.69	1.65
PBDIT/Interest	Times	2.31	1.87	1.72
Total Debt/PBDIT	Times	2.96	2.65	2.26
Gross Current Assets (Days)	Days	132	148	155

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

None

Any other information

None

Applicable Criteria

- Default Recognition-<https://www.acuite.in/criteria-default.htm>
- Trading Entities-<https://www.acuite.in/view-rating-criteria-6.htm>
- Manufacturing Entities-<https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments-<https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings /Outlook
29-May-2017	Letter of Credit	Short Term	25.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BB- / Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BB- / Stable (Reaffirmed)
22-Feb-2016	Cash Credit	Long Term	4.00	ACUITE BB- / Stable (Assigned)
	Letter of Credit	Short Term	25.00	ACUITE A4+ (Assigned)
	Proposed Cash Credit	Long Term	1.00	ACUITE BB- / Stable (Assigned)

***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	ACUITE A4+ (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB-/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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