

Press Release

Rajkripal Exim Private Limited

May 08, 2019

Rating Upgraded



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

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating from '**ACUITE BB-' (read as ACUITE double B minus)** to '**ACUITE BB' (read as ACUITE double B)** and reaffirmed the 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'.

The rating upgrade reflects improvement in the group's business and financial risk profile. At the group level, the scale of operations stood moderate and the same has improved with operating revenue to Rs.260.73 crore in FY2018 as compared to Rs.230.14 crore in FY2017 mainly due to better sales on account of acquiring of more customers. The profitability margins of the group have improved both at the operating and net level. The financial risk profile has witnessed substantial improvement in net worth, gearing and debt protection measures. However, the rating of the company has been constrained due to modest scale of operations at the standalone level.

Rajkripal Exim Private Limited (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 and New Zealand, African and South American countries. The firm is operating via Kandla port; the manufacturing facility of company is located at Gandhidham. The major customers are from real estate, construction or trading.

Sanjay Kumar & Co Exim Limited (SKL) was incorporate in 2004 as a limited company by Mr. Sanjay Garg, Mr. Sameer Garg and Mr. Pawan Bansal. SKL is also engaged in the business of trading of timber. The company imports timber such as pinewood, teak, Malaysian Sal, and other types of wood from Ghana, Ecuador and Costa Rica and sells to the states such as U.P., Gujarat and Delhi. Company has its office in Delhi and warehouse in Gandhidham (Gujarat).

Gujarat based, Garg Lumbers Private Limited (GLPL) was incorporated in 2005 by Mr. Sameer Garg and Mrs. Reeta Garg. The company is a part of Delhi based Sumitra Rajkripal Group. GLPL is engaged in trading of timber logs and sawn timber. GLPL imports wood from Malaysia, Ghana, Costa Rica and Ecuador and sells it in domestic market mainly in five states i.e. Gujarat, Delhi, Haryana, Rajasthan and Uttar Pradesh.

Incorporated in 2004, Rajkripal Timber Industries Private Limited (RTPL) is also engaged in the business of trading of timber. The company is managed by Mr. Sanjay Garg and Ms. Poonam Kumar. It imports timber and core veneer from Vietnam and other countries. The firm is operating via Kandla port; the processing warehouse facility of company is located at Gandhidham.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of GLPL, REPL, RTPL and SKL, together known as Rajkripal Timber Group, to arrive at this rating. The consolidation is on account of common management, similar line of business, and operational linkages. Extent of consolidation: Full

Key Rating Drivers

Strengths

- **Experienced management**

Rajkripal Timber Group is mainly managed by the Garg family. The group is engaged in the trading of timber logs for more than 15 years. Now the business is managed by Mr. Sanjay Garg with around two decades of experience in the business by virtue of his prior employment in other companies related in the same line of business.

- **Healthy financial risk profile**

The group has moderate financial risk profile marked by moderate tangible net worth of Rs.32.96 crore as on 31 March, 2018 as compared to Rs.27.40 crore in the previous year. Net worth as on March 31, 2018 includes unsecured loans from Directors and relatives of Rs.11.84 crore which has been subordinated to the bank and hence treated as quasi equity by Acuite. The improvement in the net worth has been due to accretion to reserves coupled with increase in the quasi equity levels. The gearing stood comfortable at 0.29 times as on 31 March, 2018; an improvement from 0.63 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.98 times as on 31 March, 2018 as against 3.81 times as on 31 March, 2017. Total debt of Rs. 9.44 crore consists of Rs. 2.62 crore of short term debt and Rs. 6.82 of unsecured loans from directors and relatives as on March 31, 2018. Interest Coverage Ratio (ICR) stood at 2.22 times for FY 2018 as against 2.01 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.83 times in FY2018 as against 1.75 times in FY2017 in the absence of major long term debts. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.47 times as on 31 March, 2018 as against 0.22 times as on 31 March, 2017.

- **Moderate business risk profile**

At the group level, the scale of operations stood moderate and the same has improved with operating revenue to Rs.260.73 crore in FY2018 as compared to Rs.230.14 crore in FY2017 mainly due to better sales on account of acquisition of new customers. Further, the group has reported operating revenue of Rs.227.25 crore during April to December 2018 (Provisional). The EBITDA margin stood at 3.64 percent in FY2018 as against 3.13 percent in the year earlier. The PAT margin improved to 1.19 percent in FY2018 from 0.87 percent in FY2017.

Weaknesses

- **Working capital intensive nature of operations**

The group's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 146 days in FY18 similar to 142 days in FY17. These high GCA days emanates from high debtor days of 94 days in FY18 as compared to 81 days in FY17. Group's operations are expected to remain working capital intensive, as the company is engaged in manufacturing of plywood and trading of timber. The inventory days stood moderate at 36 days in FY2018 as compared to 43 days in FY2017. The GCA days also incorporates the other current asset component amounting to Rs. 8.55 crore as on March 31, 2018.

- **Risk related with regulatory changes in domestic and foreign countries**

The imports of the group are exposed to risk related with different regulatory changes in domestic and foreign countries. The imports of the group are subject to import duty by the government of India. Any increase in the import duty may increase the cost the imports of group. The imports of the group are also exposed to risk related with the changes in regulatory policies of exporting countries (suppliers). The ban in exporting countries could affect the business and financial risk of the entire group.

- **Competitive and fragmented nature of business**

The group is engaged in the trading of teak wood from countries such as Ghana, Ecuador, Costa Rica and several others. The group is selling teak wood to traders located all over 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 at moderate levels.

Liquidity Position:

Rajkripal Timber group has moderate liquidity position as evident from healthy net cash accruals as against no major long term debt obligations. The company's net cash accruals stood in the range between Rs.2.55-4.41 crore during FY2016-2018 as against no major maturing debt obligations over the same period. The group's operations are working capital intensive as marked by gross current asset (GCA) days of 146 in FY 2018. The current ratio of the firm stood comfortable at 1.33 times as on March 31, 2018. Acuite believes that the liquidity of the firm is likely to remain moderate over the medium term.

Outlook: Stable

Acuite believes the Rajkripal Timber Group 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 efficient working capital management along with healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile of the company along with working capital management.

About the Group

Rajkripal group was founded in 2004 by Mr. Garg and family. The group includes Garg Lumbers Private Limited (GLPL), Rajkripal Exim Private Limited (REPL), Rajkripal Timber Industries Private Limited (RTIPL) and Sanjay Kumar and Company Exim Limited (SKL). The group is mainly engaged in trading of timber and is also engaged in manufacturing of plywood. The group has presence across Gujarat, Delhi, Haryana, Rajasthan and Uttar Pradesh among others.

About the Rated Group- Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	260.73	230.14	237.13
EBITDA	Rs. Cr.	9.49	7.19	5.50
PAT	Rs. Cr.	3.12	2.00	1.24
EBITDA Margin	(%)	3.64	3.13	2.32
PAT Margin	(%)	1.19	0.87	0.52
ROCE	(%)	23.22	19.26	18.81
Total Debt/Tangible Net Worth	Times	1.01	0.63	0.54
PBDIT/Interest	Times	2.22	2.01	1.78
Total Debt/PBDIT	Times	0.87	1.81	1.70
Gross Current Assets (Days)	Days	146	142	114

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
23-Aug-2018	Cash Credit	Long Term	4.00	ACUITE BB- / Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BB- / Stable (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A4+ (Reaffirmed)
29-May-2017	Cash Credit	Long Term	4.00	ACUITE BB- / Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BB- / Stable (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A4+ (Reaffirmed)
22-Feb-2016	Cash Credit	Long Term	4.00	ACUITE BB- / Stable (Assigned)
	Proposed Cash Credit	Long Term	1.00	ACUITE BB- / Stable (Assigned)
	Letter of Credit	Short Term	25.00	ACUITE A4+ (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB/ Stable (Upgraded from ACUITE BB-/ Outlook:Stable)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB/ Stable (Upgraded from ACUITE BB-/ Outlook:Stable)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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