

Press Release

Rajkripal Timber Industries Private Limited

June 27, 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 BB minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 30.00 crore bank facilities of Rajkripal Timber Industries Private Limited. The outlook is '**Stable**'.

The company is engaged in the business of trading of timber. The company is importing Teak woods from African and South American countries. The firm is operating via Kandla port; the processing warehouse facility of company is located at Gandhidham. The ratings continue to draw comfort from the experienced promoters and moderate financial risk profile. However, the aforementioned strengths are partially offset by significant exposure to commodity and currency fluctuation risk, exposure of operations to agro climatic risk and intense competition in domestic industry.

Key Rating Drivers

Strengths

- **Experienced management**

The management of RKTPL Mr. Sanjay Garg (Director) and Mrs. Poonam Dujari (Director) has an experience of more than a decade in the company's line of business as associated since inception with the company, further the management also draws experience from the group company i.e. Rajkripal Exim Private Limited as engage in the similar line of business.

- **Moderate financial risk profile**

The moderate financial risk profile of the company is marked by moderate operating income, profitability margins and comfortable gearing. The operating income of the company stands moderately stands at Rs.97.35 crore in FY18 as compared to Rs.67.97 crore a year earlier. The gearing of the company is stands comfortable at 0.46 times as on 31st March 2017 as compared to 0.49 times a year earlier. The comfortable gearing is eminent from moderate Networth of Rs.8.24 crore as against the total debt of Rs.3.77 crore as on 31st March 2017.

- **Moderate Working Capital Cycle**

Gross current asset of 143 days in FY18 against 138 days during previous year. GCA days are emanates from collection and inventory holding period of 87 days and 26 days respectively in FY18. Going forward, operations are expected to remain moderate capital intensive on the back of high debtor days.

Weaknesses

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

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. Any increase in the import duty may increase the cost the imports of company. The imports of the company 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 company.

- **Competitive and fragmented nature of business**

The Company is engaged in the trading of teak woods from countries like Ecuador, Panama, Costa Rica, and Venezuela. The company is selling teak woods to traders located in 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 thin.

Analytical Approach

ACUITE has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

Acuité believes company will maintain a 'Stable' business risk profile on account of the extensive experience of the promoters in the business. The outlook may be revised to 'Positive' in case company is able to achieve significant growth in revenue and profitability while effectively managing its operating cycle. The outlook may be revised to 'Negative' in case company register a decline in revenue or in case of significant deterioration in its profitability or liquidity profile due to higher than expected working capital borrowings.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	67.97	75.21	68.62
EBITDA	Rs. Cr.	1.85	1.39	1.19
PAT	Rs. Cr.	0.57	0.35	0.36
EBITDA Margin	(%)	2.72	1.84	1.74
PAT Margin	(%)	0.84	0.47	0.52
ROCE	(%)	18.38	15.32	27.49
Total Debt/Tangible Net Worth	Times	0.46	0.49	0.48
PBDIT/Interest	Times	1.93	1.65	1.84
Total Debt/PBDIT	Times	1.71	1.96	2.02
Gross Current Assets (Days)	Days	138	97	118

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
18-Apr-2017	Cash Credit	Long Term	INR 2	ACUITE BB- / Stable
	Letter of Credit	Short Term	INR 28	ACUITE 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE A4+

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About Acuité Ratings & Research:

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