

Press Release

Rajkripal Timber Industries Private Limited

May 25, 2021



Rating Upgraded and Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has Upgraded the long-term rating to '**ACUITE BB+**' (**read as ACUITE double B plus**) from '**ACUITE BB**' (**read as ACUITE double B**) and reaffirmed the 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 (RTIPL). The outlook is '**Stable**'.

Rating upgrade is reflected by healthy financial risk profile, strong liquidity position, and significant growth in performance in FY2021 (Provisional). The net worth stood at Rs.20.28 Crore in FY2020 as against Rs.19.10 Crore in FY2019. The debt-equity ratio stood at 0.41 times in FY2020 as against 0.55 times in FY2019. The ROCE stood at 13.17 percent in FY2020 which is estimated to be 16.07 percent in FY2021. In FY2021, the performance of the group has substantially improved. The group have performed well during the current financial year and as of 31-03-2021, the group have achieved revenue of ~Rs.179.00 Crore with PAT of~ Rs.2.20 Crore. Operating margins have stood at 2.36 per cent in FY2021 (Provisional). Further, PAT margins have also increase to 1.19 percent in FY2021 (Provisional). Company have strong liquidity position as the company have not utilized their fund based bank limit for the last 6 months ending March-2021. The current ratio stood strong at 1.32 times in FY2020.

About the Company

Incorporated in 2004, Rajkripal Timber Industries Private Limited (RTIPL) 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.

About the Group

Rajkripal group was founded in 2004 by Mr. Garg and family. The group includes Garg Lumbers Private Limited (GPL) and Rajkripal Timber Industries Private Limited (RTIPL). 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.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of GPL and RTIPL 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 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 and Moderate scale of operation

The group has moderate financial risk profile marked by moderate tangible net worth of Rs.20.28 crore as on 31 March, 2020 as compared to Rs.19.10 crore in the previous year. Net worth as on March 31, 2020 includes unsecured loans from Directors and relatives of Rs.6.00 crore which has been subordinated to the bank and hence treated as quasi equity by Acuité. 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 0.41 times as on 31 March, 2020 and 0.55 times as on 31 March, 2019. This is mainly on account of low external debt. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 3.55 times as on 31 March, 2020 as against 3.67 times as on 31 March, 2019. This is mainly due to high creditors during the period. Total debt of Rs. 8.34 crore consists of Rs. 1.27 crore of long term debt, Rs. 6.39 crore of unsecured loans from directors and relatives and Rs.0.69 crore of short term debt as on March 31, 2020. Interest Coverage Ratio (ICR) stood at 1.88 times for FY 2020 as against 2.12 times in FY2019. This is mainly due to low EBITDA during the year. Debt Service Coverage Ratio (DSCR) stood at 1.68 times in FY2020 as against 1.81 times in FY2019 in the absence of major long term debts. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.18 times as on 31 March, 2020 as against 0.21 times as on 31 March, 2019.

The scale of operations stood moderate with operating revenue to Rs.175.41 crore in FY2020 as compared to Rs.190.70 crore in FY2019. The decline was mainly due to impact of Covid-19 pandemic and nationwide lockdown. Further, the group has reported operating revenue of ~Rs.179 crore during April to March 2021 (Provisional) with a PAT of ~Rs.2.15 Crore.

• Moderate working capital nature of operation

The group's working capital is moderate as reflected in gross current assets (GCA) of 157 days in FY2020 as against 139 days in FY2019. The inventory and debtor levels stood at 50 days and 102 days in FY2020 as against 32 and 99 days in FY2019, respectively. High GCA days is mainly due to high amount of inventory and debtors at the end of the year as the operation were shut down during the period. However, the group doesn't utilize its cash credit facility.

Acuité believes that the working capital requirements will continue to remain moderate over the medium term on account of strong liquidity position.

Weaknesses

• 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.

Rating sensitivity

- Strong liquidity position throughout the year,
- Significant improve in performance in FY2021 (Provisional)

Material Covenant

None

Liquidity position: Strong

The group has strong liquidity marked by high net cash accruals to its maturing debt obligations. In FY2020, the group generated a net cash accruals of Rs.1.50 Crore as against CPLTD of ~Rs.0.30-0.40 Crore for the period. The cash accruals of the group are estimated to remain in the range of around Rs.2.50 Crore to Rs.3.50 Crore during FY2021-23 against CPLTD of Rs.0.35 Crore each year for the same period. Although, company's working capital operations are moderate marked by gross current asset (GCA) days of 157 days in FY2020. However, the group doesn't utilize its cash credit facility. Group maintains unencumbered cash and bank

balances of Rs.0.84 Crore as on 31 March 2020. The current ratio stands low at 1.32 times as on 31 March 2020.

Outlook: Stable

Acuité 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 Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	175.41	190.70
PAT	Rs. Cr.	1.19	1.87
PAT Margin	(%)	0.68	0.98
Total Debt/Tangible Net Worth	Times	0.41	0.55
PBDIT/Interest	Times	1.88	2.12

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Criteria- <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
26-February-2020	Cash Credit	Long term	2.00	ACUITE BB/Stable (Reaffirmed)
	Letter of Credit	Short Term	28.00	ACUITE A4+ (Reaffirmed)
08-May-2019	Cash Credit	Long term	2.00	ACUITE BB/Stable (Upgraded)
	Letter of Credit	Short Term	28.00	ACUITE A4+ (Reaffirmed)
27-June-2018	Cash Credit	Long term	2.00	ACUITE BB-/Stable (Reaffirmed)
	Letter of Credit	Short Term	28.00	ACUITE A4+ (Reaffirmed)

***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 (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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