

Press Release

Rajkripal Timber Industries Private Limited

August 18, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	28.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	30.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating at '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating at '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 30.00 Crore bank facilities of Rajkripal Timber Industries Private Limited (RTIPL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the company and no objection certificate (NOC) received from the banker.

About 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 (GLPL) 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

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profiles of GLPL 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.

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.

Moderate Financial Risk Profile

Group's financial risk profile is moderate marked by moderate net worth, comfortable gearing and average debt protection metrics. Group's total tangible net worth as on 31st March 2021 stood at Rs. 16.54 Cr as against Rs. 14.28 Cr in the previous year. Debt to Equity ratio stood comfortable at 0.85 times in FY 2021 as against 1.00 times in FY 2020. Total debt of Rs. 14.05 Cr in FY 2021 consists of Rs. 1.88 Cr of long term debt and Rs. 12.17 Cr of unsecured loans. Interest Coverage Ratio and DSCR is moderate and stood at 2.32 times and 2.01 times respectively in FY 2021. NCA/TD has improved to 0.18 times in FY 2021 as against 0.10 times in FY 2020.

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 Sensitivities

- Scale of operations.
- Working capital intensive nature of operations.

Material Covenants

None.

Liquidity Position

Adequate

Liquidity of the group is adequate with the group generating net cash accrual of Rs. 2.51 Cr in FY 2021. In FY 2021 cash and bank position stood at Rs. 3.40 Cr and current ratio at 1.31 times.

Outlook: Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	178.61	175.41
PAT	Rs. Cr.	2.26	1.19
PAT Margin	(%)	1.27	0.68
Total Debt/Tangible Net Worth	Times	0.85	1.00
PBDIT/Interest	Times	2.32	1.88

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

Not Applicable.

Any Other Information

None.

Applicable Criteria

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

Note on Complexity Levels of the Rated Instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 May 2021	Cash Credit	Long Term	2.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Letter of Credit	Short Term	28.00	ACUITE A4+ (Reaffirmed)
26 Feb 2020	Letter of Credit	Short Term	28.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB Stable (Reaffirmed)
08 May 2019	Letter of Credit	Short Term	28.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
27 Jun 2018	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	Letter of Credit	Short Term	28.00	ACUITE A4+ (Reaffirmed)
18 Apr 2017	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Assigned)
	Letter of Credit	Short Term	28.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+ Reaffirmed & Withdrawn
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE A4+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

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