

Press Release

Sanjay Kumar & Co Exim Limited

September 25, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 21.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long -term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs.21.00 crore bank facilities of Sanjay Kumar & Co Exim Limited (SKCEL). The outlook is '**Stable**'.

SKCEL was incorporate in 2004 as a limited company by Mr. Sanjay Garg (Director), Mr. Sameer Garg (Director) and Mr. Pawan Bansal (Director). The company is engaged in the business of trading of timber. The company imports timber such as pinewood, teak, Malaysian Sal, and other types of wood and sells to states like U.P., Gujarat and Delhi. The company has its office in Delhi and warehouse in Gandhidham (Gujarat).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Sanjay Kumar & Co Exim Limited to arriv e at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations**

The management of SKCEL has an experience of more than a decade in the company's line of business as they are associated since inception with the company . Before incorporation in 2004 , the directors were inv olv ed in similar line of business through their partnership firm.

- **Moderate financial risk profile**

The company has moderate financial risk profile as marked by net worth of Rs.5.63 crore in FY2018 (Prov isional) compared to Rs.5.43 crore in FY2017. Unsecured loan from related parties to the worth of Rs.1.25 crore is treated as quasi equity. Interest Cov erage Ratio (ICR) stood moderate at 1.54 times in FY2018 (Prov isional) as compared to 1.66 times in FY2017.

Weaknesses

- **Moderate scale of operations**

SKCEL's scale of operations remains moderate with an operating income of Rs.16.29 crore in FY2018 (Prov isional) decline from Rs.24.76 crore in FY2017. This was on account of decrease in orders during the financial y ear. The company has register ed rev enue of ~Rs.17.00 crore (Prov isional) from A pril 2018 to August 2018.

- **Susceptible of profit margins to volatility in raw material prices and forex fluctuations**

The group imports 90-95 percent of its timber log requirements from Ecuador, Costa Rica and Brazil, among others. Hence, the profitability is exposed to regulatory changes in these countries and foreign exchange price fluctuations. Besides, the group is exposed to highly fragmented and competitiv e timber industry due to low entry barriers restricting its pricing flexibility and affecting profitability.

Outlook: Stable

Acuité believes that SKCEL will maintain 'Stable' financial risk profile over the medium term on the back of long track record of operations. The outlook may be revised to 'Positive' in case the company registers increased operating income, profitability margins and improved working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration of the financial risk profile or a further decline in revenues.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	16.29	24.76	39.05
EBITDA	Rs. Cr.	0.64	0.75	1.14
PAT	Rs. Cr.	0.20	0.22	0.24
EBITDA Margin	(%)	3.94	3.02	2.93
PAT Margin	(%)	1.23	0.89	0.62
ROCE	(%)	15.13	16.59	38.05
Total Debt/Tangible Net Worth	Times	0.00	0.09	0.07
PBDIT/Interest	Times	1.54	1.66	1.64
Total Debt/PBDIT	Times	0.00	0.50	0.31
Gross Current Assets (Days)	Days	142	166	103

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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-Jul-2018	Cash Credit	Long Term	1.00	ACUITE B+ (Indicative)
	Bank Guarantee	Short Term	20.00	ACUITE A4 (Indicative)
13-May-2017	Cash Credit	Long Term	1.00	ACUITE B+ / Stable (Assigned)
	Bank Guarantee	Short Term	20.00	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	1.00	ACUITE B+ / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Kunal Khera Analyst - Rating Operations Tel: 022-67141116 kunal.khera@acuite.ratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BAsel-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.