

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 incorporated 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 arrive 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 involved 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 (Provisional) 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 Coverage Ratio (ICR) stood moderate at 1.54 times in FY2018 (Provisional) 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 (Provisional) decline from Rs.24.76 crore in FY2017. This was on account of decrease in orders during the financial year. The company has registered revenue of ~Rs.17.00 crore (Provisional) from April 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 competitive timber industry due to low entry barriers restricting its pricing flexibility and affecting profitability.

Outlook: Stable

Acuite 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)

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About Acuite Ratings & Research:

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