

Press Release

RNP Marketing and Cargo Private Limited

January 07, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 70.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.70.00 crore bank facilities of RNP Marketing and Cargo Private Limited. The outlook is '**Stable**'.

RNP Marketing and Cargo Private Limited (RNP) was established in 2003 as a proprietorship concern with the business of logistic and transport services. Subsequently, its constitution changed into Private Limited in 2008. In FY 2013-2014, RNP started trading of food grains by virtue of its access and proximity to ports and warehouses in 2013-2014. Currently, RNP derives more than 90 percent of the revenue from trading business and rest is from logistic segment. The trading activities of the company encompass several products in food grains such as tur dal, wheat, desi bajra, moong dal and chana dal and basmati paddy rice among others. RNP has also started new processing unit for cleaning sorting and grading of groundnuts in November 2018.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of RNP to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Ramesh Gami and Mr. Piyush Joshi possess experience of more than two decades in agro commodity industry. The experience of the promoters in the company's line of business has helped RNP to maintain healthy and long standing relations with its customers and suppliers which in turn has helped in securing repeat orders.

Acuité believes that the company will be able to sustain its existing business profile on the back of its management's experience.

- **Consistent growth in revenue**

The revenue has been growing consistently for the period under study i.e. from FY2016 to FY2018. The company registered a turnover of Rs.229.91 crore in FY2018, an improvement from Rs.206.88 crore in FY2017 and Rs.172.71 crore in FY2016. Further, RNP has registered a turnover of ~Rs.128.00 crore for H1FY2019 (Provisional). The increase in revenues is backed by increase in the number of orders from existing as well as new customers.

- **Moderate financial risk profile**

The net worth of RNP stood at Rs.35.89 crore as on 31 March 2018 against Rs.32.24 crore as on 31 March 2017. The gearing of the company stood moderate at 1.28 times for both as on March 31, 2018 and March 31, 2017. Further, the same is expected to improve on account of healthy accretion of reserves in the near to medium term backed by healthy growth in revenues and no major debt funded capex. The total debt of Rs.46.00 crore as on March 31, 2018 comprises short term working capital debt from bank of Rs.31.00 crore, long term loan from bank and NBFCs worth Rs.14.76 crore and unsecured loans from promoters' worth Rs.0.23 crore. Interest Coverage Ratio (ICR) stood at 1.92 times for FY2018 against 1.76 times for FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.40 times for FY2018 against 1.62 times for FY2017. The total outside liabilities to tangible net worth ratio (TOL/TNW) stood at same level of 1.57 times in both FY2018 as well as FY2017.

Acuité expects the company to maintain its financial risk profile in neat to medium term in absence of major debt funded capex plans.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 135 days for FY2018 against 129 days for FY2017. The intensive nature is on the account of extended credit period being offered to its customers. The same stood at 106 days in FY2018 as compared to 116 days in FY2017. Further, the average utilisation of working capital borrowings stood at 98 percent for the six months ended in September 2018.

Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Operating in a highly fragmented industry**

The trading in food grain industry is highly competitive with several organised as well as unorganised players and low entry barriers. The company faces intense competition from these players affecting its bargaining power with its customers.

Outlook: Stable

Acuité believes that the outlook of RNP will remain 'Stable' over the medium term on account of the promoters' experience. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability while effectively managing its working capital cycle. The outlook may be revised to 'Negative' in case of significantly lower than expected net cash accruals or lengthening of the working capital cycle, thereby resulting in deterioration in the financial risk profile or debt protection metrics of the company.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	229.91	206.88	172.71
EBITDA	Rs. Cr.	11.47	10.93	8.00
PAT	Rs. Cr.	3.66	2.20	1.27
EBITDA Margin	(%)	4.99	5.28	4.63
PAT Margin	(%)	1.59	1.07	0.73
ROCE	(%)	14.23	14.28	12.63
Total Debt/Tangible Net Worth	Times	1.28	1.28	2.66
PBDIT/Interest	Times	1.92	1.76	1.74
Total Debt/PBDIT	Times	3.68	3.76	5.05
Gross Current Assets (Days)	Days	135	129	116

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>
- Service entity criteria - <https://www.acuite.in/view-rating-criteria-8.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. Crore)	Ratings/Outlook
19-Jan-18	Cash Credit	Long term	31.00	ACUITE BBB-/ Stable (Assigned)
	Proposed Cash Credit	Long term	39.00	ACUITE BBB-/ Stable (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	31.00	ACUITE BBB- / Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	39.00	ACUITE BBB- / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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