

Press Release

Rajkamal Agro Industries

November 26, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 18.00 crore bank facilities of Rajkamal Agro Industries (RAI). The outlook is '**Stable**'.

M/s Rajkamal Agro Industries is a Partnership firm established in December 2005 by Mr. Ratanlal Babulal Agarwal and Mr. Hansrajbhai Babulal Agarwal. The firm is engaged in the processing of natural, hulled and black sesame seed. RAI is based at Deesa (North Gujarat) which is a hub of agricultural products. Initially, the firm had started with the business of distribution and trading of sesame seeds in domestic market and gradually expanded to worldwide.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the RAI to arrive at this rating.

Key Rating Drivers

Strengths

- **Experience management**

RAI commenced operations from 2005. The day to day operations are managed by its partners, Mr. Ratanlal Babulal Agarwal and Mr. Hansrajbhai Babulal Agarwal who possess experience of more than a decade in the agriculture industry. The extensive experience has enabled the firm to forge healthy relationships with customers and suppliers. Acuité believes that RAI will continue to benefit from its experienced management and established relationships with customers.

- **Moderate scale of operations and profitability**

The firm has reported moderate revenue growth with compounded annual growth rate (CAGR) of around 13.00 percent in the last three years ended 31 March, 2018. The firm reported high revenue growth of ~45 percent with operating income of Rs.94.76 crore in FY2018 as against operating income of Rs.65.28 crore in FY2017. The operating margins of the firm improved marginally to 2.16 percent in FY2018 from 2.08 percent in FY2017.

Weaknesses

- **Intensive working capital operations**

RAI has intensive working capital operations marked by Gross Current Assets (GCA) of 142 days in FY2018 as against 137 days in FY2017. The firm maintains inventory of around 60 days on an average and since it exports its goods, the firm has high debtor days, resulting in high GCA days. The inventory and debtor levels stood at 47 days and 87 days in FY2018 as against 77 days and 51 days in FY2017, respectively. As a result, the average utilisation of bank limits stood high at 100 percent in the last six months ending as on October 31, 2018. Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of the nature of the business which requires the firm to maintain high level of inventory.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by moderate debt protection measures, gearing and high net worth. The modest revenue levels coupled with low operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) deteriorated to 1.48 times for FY2018 from 2.32 times for FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.03 times for FY2018 as against 0.05 times for FY2017. Debt Service Coverage Ratio (DSCR) deteriorated to 1.48 times in FY2018 from 2.32 times in FY2017. The gearing of the firm has stood moderate at 1.36 times as on March 31, 2018 as against 1.32 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.45 times as on 31 March, 2018 as against 1.43 times as on 31 March, 2017. The net worth of the firm has increased to Rs.16.66 crore as on 31 March, 2018 from Rs.11.42 crore as on 31 March, 2017.

Outlook: Stable

Acuité believes that RAI will maintain a 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in RAI's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	94.76	65.28	65.63
EBITDA	Rs. Cr.	2.05	1.36	1.39
PAT	Rs. Cr.	0.15	0.31	0.10
EBITDA Margin (%)	(%)	2.16	2.08	2.11
PAT Margin (%)	(%)	0.16	0.47	0.15
ROCE (%)	(%)	4.73	4.00	9.35
Total Debt/Tangible Net Worth	Times	1.36	1.32	1.24
PBDIT/Interest	Times	1.48	2.32	1.82
Total Debt/PBDIT	Times	10.87	10.85	7.31
Gross Current Assets (Days)	Days	142	137	101

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

Not Applicable

***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	12.00*	ACUITE BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.99	ACUITE BB- / Stable

* sublimit of non-peak season is Rs.7.00 crore.

*sublimit of PC (Hypo)/PCFC cum FBP/FBD/FCBP/FCBD/UFBP/PSDL (DA - 90 days) in foreign currency as well as INR of Rs.1.00 crore.

*sublimit of foreign LC of Rs.1.00 crore.

Contacts

Analytical	Rating Desk
Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 srihari.adari@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Saurabh Rane Analyst - Rating Operations Tel: 02249294044 Saurabh.Rane@acuiteratings.in	

About Acuité Ratings & Research:

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