

Rishabh Triexim LLP

November 09, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long Term Bank Facilities	10.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Short Term Bank Facilities	32.50	CARE A3 (A Three)	Assigned
Total Facilities	42.50 (Rs. Forty-Two Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Rishabh Triexim LLP takes into account the scaling up of operations of the firm in a short span of time, established relationship with diverse suppliers, the improvement in capital structure resulting out of a sharp improvement in profitability in FY21 and the overall favorable prospects for PVC resins in the domestic market.

The rating however remains constrained by the limited track record of operations of the firm, exposure of profitability to volatility in prices and foreign exchange fluctuations, moderate capital structure and significant dependence on a single product which is a highly competitive industry.

Rating Sensitivities

Positive Factors

- Improvement in overall gearing to below 1.00x on a consistent basis.

Negative Factors

- Deterioration in ROCE below 15% on consistent basis.
- Increase in collection period leading to stretching of overall operating cycle.

Detailed description of the key rating drivers

Key Rating Strengths

Healthy growth witnessed in its scale of operation

The total income has increased from Rs. 142 crore in FY2018 to Rs.578 crore in FY2021(refers to period April 01, to March 31), an increase of 4x, aided by addition of new customers and products to its portfolio. The firm has gained market share in the last 5 years of operation and is planning to expand its product portfolio even further. The net worth position has increased from Rs.3.32 crore as on FY20 to Rs.30.63 crore as on FY21 aided by strong accruals in FY21. Margins during FY21 witnessed an improvement as the firm had capitalized on the increasing price trend of PVC resin which had a sudden spike due to demand outpacing supply.

Good relationship with reputed suppliers

RTL has been in operation for nearly 6 years, since its incorporation and has been able to maintain cordial relationship with various suppliers and has a diversified supplier profile. In FY2021, more than 75% of the purchases were import purchases from various suppliers, due to limited supply of the products in India. The domestic purchase by RTL is mostly from ONGC Petro Additions Limited (OPAL) especially for HDPE and LDPE products. The firm maintains a warehouse rented from third parties near red hills, Chennai which has a capacity of 1,500 tons and also uses transport warehouses from third parties on a need basis.

Key Rating Weaknesses

Highly competitive nature of PVC resin and allied chemicals trading industry

The PVC resin trading industry is characterized by low entry barriers due to minimal capital required and commodity nature of product which has resulted in proliferation of large number of small and large traders spread across the country. Highly fragmented nature of the industry has resulted in intense competition within the industry resulting in very thin profit margins.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Profitability margins exposed to the volatility of prices and foreign exchange fluctuations

The cost of traded goods (in case of PVC resin) is largely dependent on two factors viz. oil price and dollar-rupee exchange rates which are volatile in nature. On the imports the firm maintains about 20-30 days (Rs.40-50 crore) of inventory which is subjected to volatility of prices. The PBILDT margin of RTL was 6.95% in FY21 (1.46% in FY20). PAT margin improved from 0.33% in FY20 to 3.99% in FY21. The margins were showing marginal improvement from 2018 until 2020, however in FY2021 due to the shortage of supply, the prices of PVC shot-up, due to which players who had sufficient inventory in hand were able to capitalize on the situation in terms of volumes and price. RTL meets more than 75% (FY21) of its total purchase requirement through imports from various countries especially from east asian countries and sells entirely in the domestic market. The firm uses letter of credit facility for import purchases. The firm however does not have any forex hedging policy.

Moderately Leveraged Capital Structure

The overall gearing of the firm was at 2.86x as on March 31, 2021 as against 15.05x as on March 31, 2020. The significant improvement in net worth is due to profit accumulation in FY21, given the high demand for PVC. The firm's net worth base is smaller compared to its scale of operations. As of March 31, 2021, the Tangible net worth of RTL stood at Rs.30.63 crore as against total revenue of Rs.578 crore reported during the year. The firm uses unsecured loans from promoters which carry an interest rate of 12%-18% p.a although it does not have a definite repayment schedule and can be renewed annually. LC acceptances stood at Rs.27.35 crore as on March 31, 2021 as against Rs.5.81 crore as on March 31, 2020.

Liquidity – Adequate

The average LC utilization of the firm for the latest 12-month period is about 85%-95% and fund-based limit utilization is about 30%. As on March 31, 2021, the firm had cash and bank balance of Rs.16.5 crore including Rs.16.2 crore in FD accounts (Rs.4.7 crore margin maintained for LC) as against Rs.1.83 crore in FY20. The operating cycle of the firm has remained consistent around 30 days over the last 3 years. The current ratio as on FY21 was 1.83x as against 2.36x as on FY20. With respect to import purchases, RTL's purchases are based on LC/Buyer's credit for tenure of 90 days for PVC resins and 180 days for other products. The firm provides credit period of 30-60 days of open credit to its customers for sales depending on the customer grade and purchase volume and always maintains inventory of 25-30 days.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Rating methodology wholesale trading](#)

[Short term instruments](#)

About the Company

Rishabh Trixim LLP (RTL) was incorporated on August 21, 2015 by its current promoters Mr. Mahendra Kumar and Mr. Swaroop Bagrecha and is into trading of PVC resins, High and Low density polyethylene (HDPE and LDPE), Polyethylene Terephthalate (PET), Polypropylene (PP) etc. The head office of RTL is in Sowcarpet, Chennai and it has branch offices in Mumbai and Gujarat. The entity has a rented warehouse in Redhills, Tamil Nadu which has a storage capacity of 1,500 Tons.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	6MFY22(P)
Total operating income	485.68	578.02	515.94
PBILDT	7.08	40.17	23.22
PAT	1.61	23.09	NA
Overall gearing (times)	15.05	2.86	NA
Interest coverage (times)	1.40	6.43	NA

A: Audited, P: Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-BG/LC	-	-	-	-	31.50	CARE A3
Fund-based - LT-Cash Credit	-	-	-	-	10.00	CARE BBB-; Stable
Fund-based - ST-Bank Overdraft	-	-	-	-	1.00	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Non-fund-based - ST-BG/LC	ST*	31.50	CARE A3	-	-	-	-
2	Fund-based - LT-Cash Credit	LT*	10.00	CARE BBB-; Stable	-	-	-	-
3	Fund-based - ST-Bank Overdraft	ST*	1.00	CARE A3	-	-	-	-

*Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Banker/Lender details: To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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