

Rishabh Triexim LLP

September 24, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.95	CARE BB-; Stable	Assigned
Long Term Bank Facilities	44.00 (Enhanced from 10.00)	CARE BB-; Stable	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Short Term Bank Facilities	173.05 (Enhanced from 32.50)	CARE A4	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had previously rated the bank facilities of Rishabh Triexim LLP (RTL) as 'ISSUER NOT COOPERATING'. RTL has now cooperated by providing the necessary information for undertaking the review.

The ratings assigned to the bank facilities of Rishabh Triexim LLP (RTL) are constrained by the weak capital structure of the firm and liquidity position of the firm mark high leverage, weak debt coverage indicators. The rating also takes note of the sharp deterioration of profitability margins over the last two years, exposure of profitability to price volatility of traded goods & foreign currency fluctuation associated with imports, and highly competitive nature of the PVC resin & allied chemicals trading industry. The ratings, however, draw strength from the established relationship with suppliers along with diversified customer base and geographic presence.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in debt coverage indicators and Total debt to GCA below 10x.
- Improvement in liquidity position.

Negative factors

- Decline in PBILDT margin below 1% on a consistent basis.
- Increase in collection period leading to stretching of overall operating cycle.

Analytical approach: Standalone

Outlook: Stable

A stable outlook reflects the company's ability to maintain its market position coupled with a stable demand scenario, which shall enable it to sustain its healthy business profile over the medium term.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure and weak debt coverage indicators

The capital structure of the company stands leveraged with Total debt of Rs 364.59 crores as of March 2024 (PY: Rs 306.15 crores) which also includes USL from related parties worth Rs 120.47 crores (PY: Rs 119.48 crores). The firm pays interest for the related party loan, though there are no fixed repayment terms for these loans. The net worth position remains moderate due to consecutive losses over the past two years. Capital structure of the firm is leveraged marked by overall gearing of 17.11x as of March 2024 (PY: 16.25x). With subdued profitability, debt coverage indicators remained weak marked by TD/PBILDT of 74x and interest coverage ratio of 0.24x in FY24.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Susceptibility of profitability to fluctuations in raw material prices and foreign exchange rates:

Prices of polyethylene allied products are highly volatile and influenced by global pricing trends and regional demand-supply dynamics. RTL is significantly exposed to foreign exchange risk due to its reliance on imported raw materials, sourcing 98% of its overall procurement from countries like China, Taiwan, Middle East etc. with minimal export activity. To ensure timely delivery to its customers, RTL has to maintain a minimum inventory level, leaving its profitability vulnerable to raw material price swings. In FY23, the company incurred operating losses due to a steep drop in PVC prices in Q1FY23, which surged during the pandemic. Although RTL achieved operating profit of Rs 4.94 crores in FY24, its PBILDT margin remained subdued at 0.36% and RTL has reported a net loss and negative GCA over the past two years.

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 commoditized nature of the products which has resulted in proliferation of large number of small and large traders spread across the country. The highly fragmented nature of the industry has resulted in intense competition within the industry resulting in very thin profit margins.

Key strengths

Established relationship with supplier and customer

RTL has been in operation for nearly a decade. Since its inception RTL has been maintaining cordial relationships with various suppliers and has a diversified supplier base. The firm procures from domestic as well as overseas suppliers depending upon the availability of the material. In FY24 the company imported 98% of the overall procurement (PY: 99%). Its customer base includes both end users and traders and it is diversified with top 10 customers accounting 21% of the overall sales in FY24 (PY: 31%).

Pan- India presence and product diversity supporting the sustenance of the scale

RTL has branches in Chennai, Mumbai and Gujarat it supplies pan India. The firm maintains a warehouse rented from third parties near red hills, Chennai which has a capacity of 1,500 tons and also uses around 18 transport warehouses in TN, Maharashtra and Gujarat on a need basis. The presence in multiple states gives the firm leeway to move stock in case of any demand slowdown in any of the regions. The product portfolio of the company includes PVC, HDPE, PET, LDPE and PP. In FY24 the drop in sales from PVC was offset by the increased sales of HDPE.

Liquidity: Stretched

Liquidity of the company is stretched with negative cash accruals in FY24 as against the term debt maturity of Rs 2.18 crores in FY25. The promoters and relatives have been infusing funds in the form of unsecured loans to support the liquidity position. CARE has also observed overdrawls in the CC accounts ranging from 1- 8 days and levy of penal interest for the overdrawls in the CC account. However, Average fund-based working capital utilization for the 12-month period ending in July 2024 stood at 90%. The firm has a cash bank balance and mutual fund investment of Rs 102.18 crores as of March 2024 which are largely lien marked to the working capital limits. The operating cycle of the firm remained consistent around 20 days over the past two years.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

Rishabh Triexim LLP was incorporated on August 21, 2015, is into trading of PVC resins, High- and Low-density polyethylene (HDPE and LDPE), Polyethylene Terephthalate (PET), Polypropylene (PP) etc. Mr. Swaroop Bagrecha, promoter of the firm, was already in the business of import and export consultancy for various other products and industries for nearly 15 years prior to incorporating RTL. 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; it also uses temporary warehouse from third parties on need basis.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	1061.81	1153.90	1383.36
PBILDT	38.57	-21.06	4.94
PAT	19.23	-36.51	-13.08
Overall gearing (times)	3.03	16.25	17.11
Interest coverage (times)	3.38	-1.29	0.24

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	44.00	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	07-12-2027	2.95	CARE BB-; Stable
Fund-based - ST-Bank Overdraft		-	-	-	7.00	CARE A4
Non-fund-based - ST-BG/LC		-	-	-	166.05	CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - ST-BG/LC	ST	166.05	CARE A4	1)CARE A4; ISSUER NOT COOPERATING * (19-Apr-24)	-	1)CARE A4+; ISSUER NOT COOPERATING * (24-Jan-23)	1)CARE A3 (09-Nov-21)
2	Fund-based - LT-Cash Credit	LT	44.00	CARE BB-; Stable	1)CARE BB-; Stable; ISSUER NOT COOPERATING * (19-Apr-24)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING * (24-Jan-23)	1)CARE BBB-; Stable (09-Nov-21)
3	Fund-based - ST-Bank Overdraft	ST	7.00	CARE A4	1)CARE A4; ISSUER NOT COOPERATING * (19-Apr-24)	-	1)CARE A4+; ISSUER NOT COOPERATING * (24-Jan-23)	1)CARE A3 (09-Nov-21)
4	Fund-based - LT-Term Loan	LT	2.95	CARE BB-; Stable				

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term;

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bank Overdraft	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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