

## Ratnapriya Impex Private Limited

October 3, 2017

### Ratings

Facilities	Amount (Rupees crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	3.00	<b>CARE BB; Stable (Double B; Outlook: Stable)</b>	Reaffirmed
Short-term Bank Facilities	51.00	<b>CARE A4+ (A Four Plus)</b>	Reaffirmed
<b>Total Facilities</b>	<b>54.00 (Rupees Fifty Four crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Ratnapriya Impex Private Limited (RIPL) continues to be constrained by the company's low profitability margins due to the trading nature of the operations and its weak financial risk profile marked by high gearing and weak debt coverage indicators. The ratings however derive comfort from strong domestic demand for edible oil and extensive experience of the promoters in trading of various commodities with a moderate track record of operations of the company.

Going forward, the ability of the company to profitably scale up the operations while effectively managing the fluctuation in commodity prices and foreign exchange rates and improve the gearing would remain the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Low profit margins:** On account of the inherent trading nature of the operations and intense market competition given the highly fragmented nature of industry with limited entry barriers, PBILDT margins of the company remains low, PBILDT margins improved but remained low at 2.09% in FY17 (PY: 1.91%). PAT margin also increased to 0.53% in FY17 (PY: 0.52%) but the improvement was restricted because of high finance costs.

**Weak financial risk profile:** RIPL has a leveraged capital structure marked by a high overall gearing and high total debt to GCA due to low profitability margins and high working capital requirements which are largely met thorough bank borrowings. The company's overall gearing improved marginally to 3.16x as on March 31, 2017 (PY: 3.88x) primarily because of increase in working capital borrowings. The company's interest coverage deteriorated marginally to 1.66x in FY17 (PY: 1.76x) due to decrease in profits at PBILDT level to Rs.3.78 crore in FY17 (PY: Rs.4.18 crore).

#### Key Rating Strengths

**Experience of the promoters in trading business:** Mr Vikas Gupta, the Chairman, has more than nine years of experience in sourcing of commodities from international market and selling in domestic market. He was previously associated with the edible oil manufacturing company, Globus Industries owned by his father. He holds a bachelor degree from University of Sydney and is supported by Mrs Shikha Gupta, who is a graduate from London and assists him in managing day to day tasks of the company and supports to make strategic decisions.

**Moderate track record of operations:** RIPL commenced its operations from June 2010 and FY12 (refers to the period April 1 to March 31) was the first full year of operation with total operating income of Rs.194.98 crore. However, subsequently, the company's operational income declined marginally due to overall slowdown in the economy. The total operating income reduced to Rs.180.93 crore in FY17 (PY: Rs. 224.03 crore) with net worth base of Rs.15.14 crore as on March 31, 2017.

**Steady growth but high competition in the edible oil industry:** India is the third largest consumer of edible oil accounting for 10-12% share of global consumption. The demand for edible oils in India has shown a steady

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

growth over the years. Furthermore, domestic consumption of edible oil is expected to increase with rising income level and growing population. RIPL operates in highly fragmented and competitive industry marked by the presence of numerous players in northern India.

#### **Analytical approach:**

Standalone

#### **Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios - Non-Financial Sector](#)

#### **About the Company**

RIPL was incorporated in June 2009 and was promoted by Mr Rajan Jain and Mr Gian Chand Jain with the purpose of carrying trading business in commodities like edible oils, oilseeds, metal scrap, etc. The company commenced its operations from June 2010. Presently, RIPL is managed by Mr Vikas Gupta, the director of the company with the support from Mrs Shikha Gupta, who is also director of the company. In FY13, RIPL discontinued trading of metal scrap and is presently engaged in trading of crude palm oil (imported from Singapore, Malaysia), vanaspati, rice etc. The company has depots/godowns in the major cities of Punjab, Haryana and Himachal Pradesh.

<b>Brief Financials (Rs. crore)</b>	<b>FY16 (A)</b>	<b>FY17 (A)</b>
Total operating income	224.03	180.93
PBILDT	4.18	3.78
PAT	1.16	0.95
Overall gearing (times)	3.88	3.16
Interest coverage (times)	1.76	1.66

A: Audited

#### **Status of non-cooperation with previous CRA:**

Not Applicable

#### **Any other information:**

Not Applicable

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

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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#### **About CARE Ratings:**

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	3.00	CARE BB; Stable
Non-fund-based - ST-Letter of credit	-	-	-	51.00	CARE A4+

#### 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	3.00	CARE BB; Stable	1)CARE BB; Stable (26-Apr-17)	1)CARE BB (03-May-16)	-	1)CARE BB (27-Feb-15) 2)CARE BB- (16-Apr-14)
2.	Non-fund-based - ST-Letter of credit	ST	51.00	CARE A4+	1)CARE A4+ (26-Apr-17)	1)CARE A4+ (03-May-16)	-	1)CARE A4+ (27-Feb-15) 2)CARE A4 (16-Apr-14)

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