



Press Release

Regal Trading Private Limited

August 23, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	16.72	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed	Simple
2.	Long Term / Short Term Bank Facilities – Proposed	3.28	IVR BB+/Stable/A4+ (IVR Double B Plus with Stable Outlook / IVR A Four Plus)	IVR BB+/Stable/A4+ (IVR Double B Plus with Stable Outlook / IVR A Four Plus)	Reaffirmed	Simple
	Total	20.00	Rupees Twenty Crore Only			

Details of Facilities are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long term rating of IVR BB+ with a Stable outlook and short term rating of IVR A4+ for the bank loan facilities of Regal Trading Private Limited (RTPL).

The rating continues to draw comfort from its established track record of operations and experienced promoters, moderate capital structure and debt protection metrics. However, these rating strengths are partially offset by decline in profitability margins, elongated operating cycle, exposure to intense competition.

The 'stable' outlook on the rating reflects the sustained demand for the products which is expected to maintain a stable revenue stream. Further, the financials risk profile also looks to be stable going forward.

IVR has principally relied on the audited financial results of RTPL's up to 31 March 2023 and unaudited financial results for FY2024 (refers to period from 1st April 2023 to 31st March 2024) and projected financials for FY25, FY26 and FY27, and publicly available information/clarifications provided by the company's management.



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Upward factors

- A significant improvement in revenue above Rs.230.00 crore along with improvement in profitability margins.
- Improvement in liquidity through increase in cash accruals and efficient working capital management.

Downward factors

- Moderation in the capital structure with deterioration in overall gearing to more than 1.5x.
- Substantial fall in revenue resulting in dip in profitability.
- Further elongation of operating cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record of operations and experienced promoters:

The company commenced its operations in 2001 and has a successful track record of more than twenty years in the existing line of business. The operations of RTPL are being managed by Mr. Jai Kishan Poddar and Mr. Vijay Kishan Poddar who are qualified and having experience of more than 20 years in this field. Long track record of operations has led the company to establish strong business relationships with its customers and suppliers.

Moderate capital structure and debt protection metrics:

As of March 31, 2024, the company's capital structure remains moderate, with an overall gearing and a Total Outside Liabilities to Tangible Net Worth (TOL/TNW) of 0.86x and 0.96x, respectively, compared to 1.22x and 1.31x as of March 31, 2023. The reduction in fund-based debt has led to an improvement in the Total Debt to Gross Cash Accruals (GCA), which stood moderate at 11.38x for FY2024. Additionally, debt protection metrics has stood moderate, with the Debt Service Coverage Ratio (DSCR) and Interest Service Coverage Ratio (ISCR) at moderate levels of 1.46x and 1.17x, respectively, as of March 31, 2024.

Key Rating Weaknesses

Decline in profitability margins:

The company's total operating income has increased from Rs.115.97 crore in FY2023 to Rs.153.91 crore in FY2024, driven by improved sales realizations. However, both EBITDA and PAT margins have declined, from 6.25% and 1.73% in FY2023 to 2.37% and 1.48% in FY2024, respectively. This decrease in profitability is attributed to the higher cost of raw material which has impacted overall profit margins.



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Elongated Operating Cycle:

The operations of the company are working capital intensive in nature. The average receivable collection days and average inventory period days stood at 95 days and 47 days respectively in FY2024. The operating cycle is elongated (139 days in FY2024) on account of high debtor days. The ability of the company to reduce the debtors and improve the collections will be a key rating sensitivity.

Exposure to intense competition:

The timber industry in India is highly fragmented, featuring numerous unorganized players with small capacities that primarily address regional demand due to the advantages of local transportation economies. This fragmentation limits opportunities for expansion into new regions and consolidation of business. Additionally, with approximately 65% of sales derived from trading activities, operating margins are further constrained. As a result, the company is expected to remain subject to significant competitive pressures within the timber industry.

Analytical Approach: For arriving at the ratings, IVR has analysed RTPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity profile of RTPL is expected to remain adequate marked by its expected satisfactory cash accrual in the range of Rs.3.83 crore to 6.81 crore as against debt repayment obligation of Rs.1.88 crore to Rs.1.39 crore in FY2025-2027. Moreover, the company has an adequate current ratio at above 4.16x in FY2024 (Provisional). Further, the company has not planned any major capex or availment of long-term debt plan which imparts comfort and repaid the term loan and GECL of Rs.12.00 crore approximately during the previous financial year.

About the Company

Incorporated in 1989, Regal Trading Private Limited (RTPL) was taken over by Late Mr. Radhey Shyam Poddar and his sons Mr. Jai Kishan Poddar and Mr. Vijay Kishan Poddar in 2001. Initially started with trading of timbers, the company presently is engaged trade, manufacture & supply of international quality teakwood and timber products like doors, doorframes, wooden beading & mouldings, window frames etc. The company is also engaged in trading rice & sugar and derives ~65% of the revenue from the trading activity and rest from manufacturing & trading of timber related products in FY2024.



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Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	115.97	153.91
EBITDA	7.25	3.64
PAT	2.00	2.31
Total Debt	35.54	27.20
Tangible Net worth	29.25	31.56
EBITDA Margin (%)	6.25	2.37
PAT Margin (%)	1.73	1.48
Overall Gearing Ratio (x)	1.22	0.86
Interest Coverage Ratio (x)	1.59	1.17

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (July 24, 2023)	Date(s) & Rating(s) assigned in 2023-24 (May 1, 2023)	Date(s) & Rating(s) assigned in 2022-23 (April 8, 2022)
1.	Fund Based	Long Term	16.72	IVR BB+/Stable	IVR BB+/Stable	IVR BB/Negative/Issuer Not Cooperating	IVR BB+/Issuer Not Cooperating
2.	Fund Based – Proposed	Long Term/Short Term	3.28	IVR BB+/Stable/A4+	IVR BB+/Stable/A4+	IVR BB/Negative/A4/Issuer Not Cooperating	IVR BB+/A4+/Issuer Not Cooperating

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	September 2031	1.89	IVR BB+/Stable
GECL	-	-	March 2026	4.83	IVR BB+/Stable
Cash Credit	-	-	-	10.00	IVR BB+/Stable
Proposed	-	-	-	3.28	IVR BB+/Stable/A4+



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Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Regal-Trading-aug24.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).