PRESS RELEASE

RISHIYANA GLOBAL TRADERS PRIVATE LIMITED

October 2024

Ratings

Instrument/Facilities	Amount (NPR Mn)	Ratings	Rating Action
Long Term Bank Facilities	416.71	IRN B+	Assigned
Short Term Bank Facilities	1,583.29	IRN A4	Assigned
Total	**2,000.00**		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN B+ (Single B Plus) to the long-term bank facilities of NPR 416.71 Mn and IRN A4 (A Four) to the short-term bank facilities of NPR 1,583.29 Mn.

Detailed Rationale

The ratings assigned to bank facilities of Rishiyana Global Traders Private Limited (RGT) derive strengths from its experienced promoters and its moderate capital structure and debt service coverage indicators. Also, the ratings factor in substantial improvement in its total operating income at a CAGR of ~122% during FY21-FY24.

However, the ratings are constrained by RGT's limited operational track record and modest profitability margins. Interest volatility risk also remains a concern. The agro industry is fragmented and highly competitive due to low entry barriers. Therefore, the company's ability to maintain margins over the long term remains to be seen. Also, the ratings take note of company's majorly projected debt funded capex. Going forward, the ability of the company to complete the capex within estimated timelines and scale up the business while improving the profitability margins will be key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters

RGT, incorporated in December 2020, operates under the leadership of a three-member board of directors, chaired by Mr. Yuddha Bahadur Chauhan, who possess over a decade of experience in import and trading, as well as marketing. Mr. Nabendu Kumar Gupta, director, possess more than two decades of expertise in trading and marketing, while Ms. Supriya Gaire, director, has over five years of experience in finance and the trading sector. The board is well-supported by experienced team.

Moderate capital structure and debt service coverage indicators

The capital structure of RGT stood moderate with overall gearing ratio of 1.58x as on mid-July 2024 and 1.49x as on mid-July 2023. Also, the company demonstrates moderate DSCR of 1.37x in FY24 and 1.31x in FY23, along with an interest coverage ratio of 1.48x in FY24 and 1.42x in FY23. While the overall gearing ratio as of mid-July 2024 remains moderate, it is projected to deteriorate in FY25 owing to RGT's projected debt funded capex.

Key Rating Weaknesses

Operations stabilization risk

RGT commenced its commercial operations in 2021, resulting in a limited operational track record of approximately four years. The company is currently pursuing a majorly projected debt-funded capex

of NPR 246 Mn, with a debt: equity mix of 80:20, to expand its rice milling operations from its existing trading activities. Timely completion of the capex within estimated cost and stabilization of operations thereafter will remain key monitorable.

Modest profitability margin despite of significant revenue growth
RGT's total operating income significantly improved from NPR 60 Mn in FY21 to NPR 1,470 Mn in FY24, reflecting a CAGR of ~122%. This growth is primarily driven by the introduction of a diversified product range. However, the EBITDA margin of the company stood modest at 1.85% in FY24 and 1.82% in FY23. Consequently, PAT margin was also modest at below a percent in FY23 and FY24.

Working capital intensive nature of operations
In its initial year of operations, RGT's operations concentrated in transaction of sugar, which were predominantly cash-based. Over time, the company diversified its offerings to include rice, pulses, cumin seeds, oil, and so on, which required extended credit terms for customers. Consequently, the average collection period has lengthened, rising to 105 days in FY23 and 98 days in FY24 from 46 days in FY22. However, the company's average inventory turnover is stable, with periods of 61 days in FY23 and 62 days in FY24, suggesting efficient movement of inventory to consumers. Subsequently, RGT's operating cycle remained moderate at 65 days in FY23 and 64 days in FY24, supported by a working capital intensity of 15% in FY24 and 30% in FY23.

No major entry barriers lead to highly competitive intensity of the industry
There are no any major entry barriers for the agro industry in the country due to which there are risks of new entrants in the already competitive segment. Also, the competitive intensity can be felt from the various regional organized and unorganized players.

Interest volatility risk
The Interest rates on deposits and borrowing remain a significant factor in the Nepalese economy. In line with NRB's directives, the BFIs typically charge an interest rate on loans by adding a premium to the base rates which is revised on a quarterly basis. The interest rates charged by BFIs have been historically volatile over the past 2-3 years and thus borrowing from banks and financial institutions exposes.

Analytical Approach: Standalone

Applicable Criteria:
Corporate Credit Rating Methodology

About the Company:
Rishiyana Global Traders Private Limited (RGT) is a wholesale based business, established in 2020 for manufacturing and trading of agro-products. The registered office of RGT is located in Kathmandu-14, Nepal. RGT currently operates four warehouses (combined area of ~2 ropanis) located in Chovar, Kathmandu, with a combined estimated storage capacity valued at NPR 200 million. Ownership of shares lies with individual promoters, namely Mr. Yuddha Bahadur Chauhan (54.43%), Mr. Navendu Kumar Gupta (23.10%) and Ms. Supriya Gaire (22.47%).

Financial Indicators (Standalone)

For the year ended* As on	FY22	FY23	FY24
	Audited	Audited	Unaudited
Total Operating Income (NPR Mn)	321	1,034	1,470
EBITDA Margin (%)	1.92	1.82	1.85
Interest Coverage Ratio (x)	2.11	1.42	1.48
Current Ratio (x)	1.28	1.19	1.56
Total Debt/GCA (years)	18.90	57.80	37.39
DSCR (x)	1.83	1.31	1.37
Overall Gearing Ratio (x)	1.91	1.49	1.58

**Classification as per Infomerics Nepal standards*

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn)	Ratings
Fund Based Bank Facilities- Term Loan	Long Term	219.71	IRN B+
Fund Based Bank Facilities- Term Loan (Proposed)	Long Term	197.00	IRN B+
Fund Based Bank Facilities-Working Capital Loan	Short Term	50.00	IRN A4
Fund Based Bank Facilities-Working Capital Loan (Proposed)	Short Term	200.00	IRN A4
Non-Fund Based Bank Facilities	Short Term	340.00	IRN A4
Non-Fund Based Bank Facilities (Proposed)	Short Term	993.29	IRN A4
Total Facilities		**2,000.00**	

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About Infomerics Credit Rating Nepal Limited:
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