

Kaithal Timbers Private Limited: Upgraded

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	4.20	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Letter of Credit	21.00	SMERA A4+ (Reaffirmed)

SMERA has upgraded the rating of the Rs.4.20 crore long-term (fund-based) bank facility to **'SMERA BB+' (read as SMERA double B plus)** from 'SMERA BB' (read as SMERA double B) and reaffirmed the rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs.21.00 crore short-term (non-fund based) bank facility of Kaithal Timbers Private Limited (KTPL). The outlook is **'Stable'**.

The ratings derive comfort from the established track record of the promoters, moderate financial risk profile marked by comfortable gearing and moderate interest coverage ratio. These rating strengths are partially offset by exposure of group's profitability to competition in the timber trading industry and foreign exchange fluctuation risk.

For the rating process, SMERA has consolidated the business and financial risk profiles of Kaithal Timbers Private Limited (KTPL) and Bansal Realtech Limited (BRL), together referred to as the Kaithal Group. This is because both these entities have common management, are in the same line of business and have business and operational synergies.

KTPL, established in 2006, is a Haryana-based private limited company, engaged in the import and wholesale trading of timber logs. KTPL benefits from its experienced management. The promoter has around three decades of experience in the industry.

Updates

Revenues of the Kaithal Group increased at a moderate compound annual growth rate (CAGR) of ~6.58 per cent during FY2013-14 to FY2015-16. The group reported profit after tax (PAT) of Rs.1.00 crore on operating income of Rs.214.50 crore in FY2015-16 (provisional), as compared with PAT of Rs.0.88 crore on operating income of Rs.204.62 crore in the previous year. Further, the Kaithal Group has achieved an operating income of ~Rs. 105.00 crore in FY2016-17 (refers to financial year, 1st April to 30th September 2016).

The group's moderate financial profile is reflected in the comfortable gearing of 0.69 times as on March 31, 2016 as compared with 0.35 times in FY2014-15. The interest coverage ratio stood at 1.73 times in FY2015-16 (provisional) against 1.84 times in FY2014-15. The net profit margin is at 0.46 per cent in FY2015-16 (provisional) against 0.43 percent in FY2014-15. The group has moderate liquidity of (80% bank limit utilisation).

Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Improvement in the financial risk profile

Outlook: Stable

SMERA believes that the Kaithal Group will maintain a stable outlook over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' if the group registers sustained improvement in revenue, profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in profitability and financial risk profile.

Criteria applied to arrive at the ratings:

- Trading Entities

About the Group

The Kaithal Group, established in 1974 derives revenues primarily from import and wholesale trading of timber logs (teak logs, gurjan round logs, salwood etc). The group mainly imports from New Zealand, Malaysia, Germany, Canada and Brazil and has its registered office at Karnal (Haryana) with two branch offices at Delhi and Gandhidham (Gujarat). The day-to-day operations are managed by Mr. Pawan Bansal and brothers, Mr. Mohinder Bansal and Mr. Varinder Bansal.

For FY2015-16 (provisional), the group reported profit after tax (PAT) of Rs.1.00 crore on operating income of Rs.214.50 crore, as compared with PAT of Rs.0.88 crore on operating income of Rs.204.62 crore in FY2014-15. The group's net worth stood at Rs.18.01 crore as on March 31, 2016 (provisional), as compared with Rs.17.02 crore a year earlier.

About the Company

KTPL a Karnal-based company, was established in 2006 by Mr. Pramod Bansal and Mr. Mohinder Bansal. The company is engaged in the import and wholesale trading of timber logs. KTPL mainly imports from New Zealand, Malaysia, Germany, Canada and Brazil and sells timber to clients across India.

For FY2015-16 (provisional), KTPL reported profit after tax (PAT) of Rs.0.48 crore on operating income of Rs.106.62 crore, as compared with PAT of Rs.0.37 crore on operating income of Rs.103.24 crore in FY2014-15. The company's net worth stood at Rs.8.87 crore as on March 31, 2016 (provisional), as compared with Rs.8.40 crore a year earlier.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
12 August , 2015	Cash Credit	4.00	SMERA BB (Assigned)	-	Stable
	Letter of Credit	21.00	-	SMERA A4+ (Assigned)	
	Proposed Cash Credit	0.20	SMERA BB (Assigned)	-	Stable

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ABOUT SMERA

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