

Press Release

Kaithal Timbers Private Limited

27 December, 2017

Rating Downgraded



Total Bank Facilities Rated*	Rs. 25.20 Cr.
Long Term Rating	SMERA D (Downgraded from SMERA BB+/Stable)

* Refer Annexure for details

SMERA has downgraded the long-term and short term rating on the Rs. 25.20 crore bank facilities of Kaithal Timbers Private Limited (KTPL) to 'SMERA D' (read as SMERA D) from '**SMERA BB+**' (read as **SMERA double B plus**) and '**SMERA A4+**' (read as **SMERA A four plus**).

The rating downgrade reflects delays in debt servicing on account of stretched liquidity position of the company. Besides, instances of devolvement have been observed in the letter of credit for the last six months.

About the Group:

Bansal Realtech Limited (BRL) and KTPL, part of the Kaithal Group were incorporated in 2007 and 2006 respectively. The companies derive revenue primarily from import and wholesale trading of timber logs. The Kaithal Group imports timber from several countries including Malaysia, New Zealand and Vietnam and largely caters to the north Indian market. The registered office is located at Karnal (Haryana) with two branches 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.

Analytical Approach: SMERA has consolidated the business and financial risk profile of Kaithal Timbers Private limited and Bansal Realtech Limited to arrive at the rating.

About the rated entity:

KTPL, a Karnal (Haryana) based company, incorporated in 2006 was promoted by Mr. Mohinder Bansal. The company is engaged in the export and wholesale trading of timber logs. Timber is imported from New Zealand, Malaysia, Germany among other countries and sold across India.

List of key rating drivers and their detailed description

Strengths:

Established track record of operations and experienced management

The Kaithal Group was established in 1970 by Mr. Pawan Bansal, Mr. Varinder Bansal, Mr. Narander Bansal and Mr. Mohinder Bansal and converted to a private limited entity in 2006. The management has more than four decades of experience in the said line of business.

Weaknesses

Delay in debt servicing and obligations

The rating reflects delays in servicing of debt obligations by the company. Devolvement of letter of credit has been observed in the last six months ended September 2017.

Working capital intensive operations, stretched liquidity

The group has working capital intensive operations marked by high GCA days of 141 in FY2016 as

against 137 days in FY2015. This is majorly on account of stretched receivable days of 110 in FY2016 as against 88 in FY2015. The creditor days are also stretched at 102 days in FY2016 and 111 days in FY2015.

The group's liquidity is stretched marked by instances of devolvment in the letter of credit. The working capital facility has been fully utilised.

About the Rated Entity – key financials

In FY2015-16 (Provisional), the group reported profit after tax (PAT) of Rs.1.00 crore on operating income of Rs.214.50 crore as against PAT of Rs. 0.88 crore on operating income of Rs.204.62 crore for FY2014-15. The net worth stood at Rs.18.01 crore as on 31 March, 2016 (Provisional) as against Rs.17.02 crore a year earlier.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments- <https://www.smera.in/criteria-fin-ratios.htm>

Rating History (last three years)

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
25-Oct, 2016	Cash Credit	Long Term	4.20	SMERA BB+ / Stable (Upgraded from SMERA BB/Stable)
	Letter of Credit	Short Term	21.00	SMERA A4+ (Reaffirmed)
12-Aug, 2015	Cash Credit	Long Term	4.00	SMERA BB/ Stable (Assigned)
	Proposed Cash credit	Long Term	0.20	SMERA BB/ Stable (Assigned)
	Letter of Credit	Short Term	21.00	SMERA A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.20	SMERA D (Downgraded from SMERA BB+/Stable)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	21.00	SMERA D (Downgraded from SMERA A4+)

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