

December 04, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	10.00	SMERA BB-/Stable (Upgraded from SMERA B/Stable)
Letter of Credit	60.00	SMERA A4+ (Upgraded from SMERA A4)
Forward Contract Limit	0.40	SMERA A4+ (Upgraded from SMERA A4)

SMERA has upgraded the long term rating on the Rs.10.00 crore fund based loan facility of Raj Kripal Lumbers Limited (RKL) to '**SMERA BB-**' (read as SMERA double B minus) from 'SMERA B' (read as SMERA B) and the short term rating on the Rs.60.40 crore non-fund based facility to '**SMERA A4+**' (read as SMERA A four plus) from SMERA A4 (read as SMERA A four). The outlook is '**Stable**'.

To arrive at the rating, SMERA has consolidated the business and financial risk profiles of RKL, Brahma Industries Private Limited (BIPL) and Trish Impex Private Limited (TIPL) together referred to as the 'RajKripal Group'. The consolidation is in view of the common ownership and operational linkages within the group.

The upgrade takes into account the group's entry into the cashew trading business, offering healthy revenue visibility for the group. The upgrade is also due to improvement in the financial risk profile of the group marked by increase in operating income and coverage indicators. The ratings also draw support from the group's established operations and experienced management. However, the rating is constrained by the intensely competitive segment of the timber industry and working capital intensive nature of operations.

Update

The group reported profit after tax (PAT) of Rs.0.40 crore on operating income of Rs.148.76 crore in FY2014-15 (refers to financial year, April 01 to March 31), as compared with PAT of Rs.0.35 crore on operating income of Rs.136.48 crore in the previous year. The operating income of the company increased ~9 per cent in FY2014-15. The company's profitability margins remain susceptible to volatility in prices of timber. The group operates in the competitive segment of the timber industry.

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The interest coverage ratio (EBIT to interest ratio) marginally improved from 1.34 times in FY2013-14 to 1.36 per cent in FY2014-15. The net worth of the company increased to Rs.59.90 crore as on March 31, 2015 from Rs.58.22 crore as on March 31, 2014.

Outlook: Stable

SMERA believes the Group will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the group registers strong growth in revenues and cash accruals while achieving a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and cash accruals or deterioration in the financial risk profile and liquidity position.

About the Group

The Raj Kripal Group is engaged in the trading of timber wood, teak wood and cashew. The group comprises three entities namely RajKripal Lumbers Limited (RKL), Brahma Industries Private Limited (BIPL) and Trish Impex Private Limited (TIPL) managed by Mr. Sunil Garg and family.

About the Company

RKL, established in 1996, is a Delhi-based company engaged in the trading of teak wood. The company promoted by Mr. Sunil Garg imports teak wood from Africa and South America. The processing facilities of the company are located at Gandhidham, Gujarat.

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