RajKripal Lumbers Limited:Upgraded

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	10.00	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Letter of Credit	60.00	SMERA A4+ (Reaffirmed)
Proposed Long Term	0.40	SMERA BB-/Stable (Assigned)
Forward Contract Limit	0.40	SMERA A4+ (Withdrawn)

SMERA has upgraded the long term rating on the Rs.10.00 crore fund based facility of Rajkripal Lumbers Limited (RKL) to **'SMERA BB' (read as SMERA double B)'** from 'SMERA BB- (read as SMERA double B minus)' and reaffirmed the short – term rating on the Rs. 60.00 crore non – fund facility to **'SMERA A4+' (read as SMERA A four plus).** SMERA has assigned long term rating of **'SMERA BB-' (read as SMERA double B minus)** on the Rs.0.40 crore proposed bank facility and withdrawn the rating of SMERA A4+ (SMERA A four plus) on the forward contract limit as the company is not utilising the limit confirmed by the banker and management. The outlook is **'Stable'**.

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

The upgrade takes into account the improved financial risk profile of the group marked by moderate operating income, net income and improvement in coverage indicators as per the provisional financials of FY2015-16. The ratings also draw support from the group's established operations and experienced management. However, the ratings are constrained by the intensely competitive segment of the timber industry and working capital intensive operations.

Update

The group has reported profit after tax (PAT) of Rs.1.88 crore on operating income of Rs.179.20 crore in FY2015-16 (Provisional) as compared to PAT of Rs.0.41 crore on operating income of Rs.149.82 crore a year earlier. The operating income increased by 19.61 per cent while PAT rose by 360.84 crore in FY2015-16 (Provisional) as against the previous year. The interest coverage ratio stands at 2.42 percent in FY2015-16 (Provisional) as compared to 1.36 per cent a year earlier. The DSCR stands at 2.00 per cent in FY2015-16 (Provisional) as compared to 1.30 per cent in FY2014-15. The gearing registered improvement to 0.23 times in FY2015-16 (Provisional) as compared to 0.31 times in FY2014-15. The net worth of the company improved to Rs.70.74 crore in FY2015-16 (Provisional) as against Rs.59.90 crore in the previous year.

However, the profitability margins remain susceptible to volatility in the prices of timber and government regulations. Also, the group is exposed to the unfavourable changes in government regulations. The group operates in the competitive segment of the timber industry.

Outlook- Stable

SMERA believes that the group will maintain a stable outlook over the medium term and continue to benefit from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the group registers the envisaged operating income and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration of the financial risk profile and liquidity position.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability margins
- Management of working capital cycle

Criteria applied to arrive at the ratings:

- Trading Entities
- Consolidation

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, incorporated in 1996, is a Delhi-based company promoted by Mr. Sunil Garg. The company trades in teak wood imported from Africa and South America. The processing facility is located at Gandhidham, Gujarat.

Rating History

			Rating	
Date of Issuance	**Facilities**	**Amount (Rs. crore)**	**Long Term**	**Rating Outlook**
04 Dec, 2015	Cash Credit	10.00	SMERA BB- (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)	-
18 Dec, 2014	Cash Credit	10.00	SMERA B (Assigned)	Stable
	Letter of Credit	60.00	SMERA A4 (Assigned)	-
	Forward contract Limit	0.40	SMERA A4 (Assigned)	-

SMERA RATINGS LIMITED

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in