

Press Release

RajKripal Lumbers Limited

16 February, 2018



Rating Reaffirmed

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 70.40 Cr. |
| Long Term Rating | SMERA BB / Outlook: Stable |
| Short Term Rating | SMERA A4+ |

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating to '**SMERA BB**' (read as SMERA double B) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 70.40 crore bank facilities of RajKripal Lumbers Limited (RKL). The outlook is '**Stable**'.

Rajkripal Lumbers Limited, the flagship company of the group was incorporated in 1996 by Mr. Sunil Kumar Garg. The group is engaged in the business of trading of timber. The group is importing Teak woods from African and South American countries. The firm is operating via Kandla port; the processing warehouse facility of company is located at Gandhidham, Gujarat.

Key Rating Drivers

Strengths

- **Experienced management**

RajKripal Group (RKG) is managed by the Gupta family, which is engaged in the trading of woods for over two decades. The business is managed by Mr. Sunil Garg. The business is also joined by sixth generation of family Mr. Vyom Gupta (son of Sunil Gupta). The company is benefited by long experience in the business.

- **Moderate financial risk profile**

The group's financial risk profile is moderate with debt of Rs. 22.03cr as on March 31, 2017 compared to Rs. 21.07cr as on March 31, 2016, gearing is comfortable at 0.33 times as on March 31, 2017. Interest coverage also improved at 1.43 times ending FY2017. Networth is strong at Rs.66.47 crore as on March 31, 2017.

Weaknesses

- **Working capital intensive nature of operations marked by high debtor's days**

The operations of the group are working capital intensive marked by high debtor days at 209 as on March 31 2017 due to high credit term in the industry. The GCA days for the group stand at 262 days 209 as on March 31st 2017 compared to 282 days in the previous year. The overall WC is supported by high creditor days at 177 days.

- **Thin profitability owing to trading nature of business**

The profitability of the group is thin owing to trading nature of business, the operating profitability is 3.45 per cent and net profitability is 0.56 per cent in FY2017 compared to OPM of 2.90% and 0.48% in FY16.

- **Competitive and fragmented nature of business**

The group is engaged in the trading of teak woods from countries like Panama, Costa Rica, and Venezuela. The company is selling teak woods to traders located in all over India. The industry is marked by the presence of several medium to big size players. Hence due to trading nature of business the profitability margins of the company are thin.

- **Expose to risk related with foreign exchange fluctuations**

Given the company is engage in the imports of teak woods. Entire procurement of the company is dollar denominated. Any adverse fluctuations in the foreign exchange rate i.e. Dollar vs Rupees may costlier the imports of the company. However, risk related to adverse movement of exchange rate and costlier the import still remains.

Analytical Approach

SMERA has consolidated the risk profiles of the group companies RajKripal Lumbers Limited, Brahma Industries Private Limited and Trish Impex Private Limited due to significant business and financial synergies.

Outlook: Stable

SMERA believes that the group will maintain a Stable outlook and continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than expected improvement in profit margins and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the group's profit margins and financial risk profile.

About the Project

Not Applicable

About the Group

Not Applicable

About the Rated Entity - Key Financials

| | Unit | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 152.08 | 173.09 | 148.32 |
| EBITDA | Rs. Cr. | 5.24 | 5.02 | 4.43 |
| PAT | Rs. Cr. | 0.85 | 0.82 | 0.43 |
| EBITDA Margin | (%) | 3.45 | 2.90 | 2.99 |
| PAT Margin | (%) | 0.56 | 0.48 | 0.29 |
| ROCE | (%) | 6.70 | 6.75 | 5.33 |
| Total Debt/Tangible Net Worth | Times | 0.33 | 0.33 | 0.33 |
| PBDIT/Interest | Times | 1.43 | 1.41 | 1.35 |
| Total Debt/PBDIT | Times | 3.52 | 3.45 | 4.49 |
| Gross Current Assets (Days) | Days | 262 | 282 | 316 |

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- DefaultRecognition-<https://www.smera.in/criteria-default.htm>
- FinancialRatiosAndAdjustments-<https://www.smera.in/criteria-fin-ratios.htm>
- ConsolidationOfCompanies-<https://www.smera.in/criteria-consolidation.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date of Issuance | Facilities | Amount (Rs. crore) | Term | Rating/Outlook |
|------------------|------------------------|--------------------|------------|-------------------|
| 26 Sep, 2016 | Cash Credit | 10.00 | Long Term | SMERA BB/ Stable |
| | Letter of Credit | 60.00 | Short Term | SMERA A4+ |
| | Proposed | 0.40 | Long Term | SMERA BB-/ Stable |
| 04 Dec, 2015 | Forward Contract Limit | 0.40 | Short Term | SMERA A4+ |
| | Cash Credit | 10.00 | Long Term | SMERA BB-/ Stable |
| | Letter of Credit | 60.00 | Short Term | SMERA A4+ |
| 18 Dec, 2014 | Forward contract Limit | 0.40 | Short Term | SMERA A4+ |
| | Cash Credit | 10.00 | Long Term | SMERA B/ Stable |
| | Letter of Credit | 60.00 | Short Term | SMERA A4 |
| | Forward contract Limit | 0.40 | Short Term | SMERA A4 |

***Annexure - Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | SMERA BB/ Stable |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 60.00 | SMERA A4+ |
| Proposed | Not Applicable | Not Applicable | Not Applicable | 0.40 | SMERA A4+ |

Contacts

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ABOUT SMERA

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