

Bansal Realtech Limited: Assigned

Name of the Instruments	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit#	3.50	SMERA BB+/Stable (Assigned)
Long Term (Proposed)	0.20	SMERA BB+/Stable (Assigned)
Letter of Credit#*	33.00	SMERA A4+ (Assigned)

#One way onetime interchangeability from FLC to CC limit to the extent of Rs.2.50 crore.

*SBLC sub-limit of Rs. 5.00 crore within the overall FLC limit of Rs.33.00 crore

SMERA has assigned ratings of '**SMERA BB+**' (read as SMERA double B plus) to the Rs.3.70 crore long-term (fund-based) bank facility and '**SMERA A4+**' (read as SMERA A four plus) to the Rs.33.00 crore short-term (non-fund based) bank facility of Bansal Real Tech Limited (BRL). The outlook is '**Stable**'. The ratings derive comfort from the established track record of the promoters, and moderate financial risk profile marked by comfortable debt protection metrics. These rating strengths are partially offset by the 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 BRL and Kaithal Timbers Private Limited (KTPL), together referred to as the Kaithal Group due to the common management, similarity in the line of business and operational synergies.

BRL, established in 2007, is a Haryana-based private limited company engaged in the import and wholesale trading of timber logs. BRL benefits from its experienced management. The promoter of the company has around three decades of experience in the timber industry.

Revenues of the Kaithal Group increased at a healthy compound annual growth rate (CAGR) of ~10 per cent from FY2012–13 to FY2014–15. The group reported profit after tax (PAT) of Rs.0.88 crore on operating income of Rs.204.63 crore, as compared with PAT of Rs.0.73 crore on operating income of Rs.188.54 crore in the previous year. Further, the Kaithal Group achieved operating income of ~Rs.223.00 crore in FY2015–16 (refers to financial year, April 01 to March 31).

Kaithal Group has moderate financial profile reflected in the comfortable gearing of 0.35 times as on March 31, 2015 and interest coverage ratio of 1.84 times in FY2014–15 (refers to financial year, April 01 to March 31). The company's net profit margin is low at 0.43 per cent in FY2014–15. The group hedges forex fluctuation risk by booking forward cover on foreign currency exposure.

Rating Sensitivity Factors

- Scaling up 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 BRL registers sustained improvement in 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

BRL and KTPL 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 various 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 branch offices at Delhi and Gandhidham, Gujarat. The day-to-day operations are managed by Mr. Pawan Bansal and his brothers, Mr. Mohinder Bansal and Mr. Varinder Bansal.

For FY2014–15, the Kaithal Group reported profit after tax (PAT) of Rs.0.88 crore on operating income of Rs.204.63 crore, as compared with PAT of Rs.0.73 crore on operating income of Rs.188.54 crore in FY2013–14. The company's net worth stood at Rs.17.02 crore as on March 31, 2015, as compared with Rs.16.14 crore a year earlier.

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ABOUT SMERA

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