

Press Release

Rajkripal Timber Industries Private Limited

April 18, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 30.00 crore bank facilities of Rajkripal Timber Industries Private Limited. The outlook is '**Stable**'.

The Delhi-based RajKripal Timber Industries Private Limited (RKTipl) was incorporated in 2004 by Mr. Sanjay Garg and Mrs. Poonam Dujari. The company is engaged in the trading of timber. It imports pinewood, teak, malaysian sal among others from New Zealand, Singapore and Vietnam and sells in Uttar Pradesh, Delhi, Haryana and Gujarat. The warehouses are located at Gandhidham (Gujarat) and Hapur (Uttar Pradesh).

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

RKTipl was incorporated in 2004. The promoters, Mr. Sanjay Garg and Mrs. Poonam Dujari possess experience of more than a decade in the timber industry.

- **Moderate financial risk profile**

The company has maintained a conservative financial risk profile - marked by prudent gearing of 0.49 times as on 31 March, 2016 as compared to 0.48 times as on 31 March, 2015. The financial risk profile is also supported by moderate Net Cash Accrual to Total Debt (NCA/TD) of 0.16 times in FY2016 vis-à-vis 0.18 times in FY2015 mainly on account of stable profitability metrics. The rating also factors in the increase in the Networth to Rs. 7.66 cr on 31 March, 2016 (includes quasi equity of Rs.3.42 cr as the same is subordinated to bank debt) as against Rs. 7.31 cr on 31 March, 2015 (includes quasi equity of Rs.3.42 cr as the same is subordinated with bank debt). The interest coverage ratio stood modest at 1.19 times in FY2015-16 against 1.25 times in FY2014-15. SMERA expects the debt protection metrics and capital structure to remain prudent on account of RKTipl's ability to maintain profitability margins over the medium term.

- **Established relations with business partners**

The company has healthy relationship of over a decade with customers and suppliers. RKTipl caters to Rahul Timber, Goel Marbo Granite, Noor Timber to name a few based in Uttar Pradesh, Delhi and Uttarakhand. The company imports from Shri Mahadev Global Pte Limited, Pan Asia Intercontinental Pte Limited, BP Wood and Rayonier based in New Zealand, Singapore and Vietnam.

- **Comfortable liquidity profile**

The comfortable liquidity profile is marked by low bank limit utilisation of around 24 per cent between April 2016 to February 2017. Also, the current ratio of the company stood at 1.48 times as on 31st March, 2016 as compared to 1.41 times in the previous year.

Weaknesses

- **Susceptibility of profit margins to raw material prices**

The profitability margins are susceptible to fluctuations in the raw material prices of timber.

- **Intense competition**

The company faces intense market competition from various players which is likely to impact operating performance and profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that the outlook on RKTipl's rated facility will remain stable over the medium term owing to its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers significant improvement in operating income and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk. Any change in the business risk profile or government regulations may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.35 cr on operating income of Rs.75.21 cr as compared to PAT of Rs.0.36 cr on operating income of Rs.68.62 cr in FY2014-15. The net worth stood at Rs.7.66 cr as on 31 March, 2016 against Rs.7.31 cr a year earlier. The networth includes quasi equity of Rs.3.42 cr as the same is subordinated to the bank.

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

CRISIL Limited in its press release dated 09th December, 2016 had inter-alia mentioned the following: 'CRISIL has suspended its ratings on the bank facilities of Rajkripal Timber Industries Private Limited (RKTipl). The suspension of ratings is on account of non-cooperation by RKTipl with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, RKTipl is yet to provide adequate information to enable CRISIL to assess RKTipl's ability to service its debt. The suspension reflects CRISIL's inability to maintain a valid rating in the absence of adequate information.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not	Not	2.00	SMERA BB- / Stable

		Applicable	Applicable		
Letter of credit	Not Applicable	Not Applicable	Not Applicable	28.00	SMERA A4+

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ABOUT SMERA

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