



SMERA RATINGS LIMITED

Brahma Industries Private Limited (BIPL)

*Rating
Rationale*

January 16, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|----------------------------|--------------------|----------------------------|
| Cash Credit | 2.00 | SMERA B/ Stable (Assigned) |
| Letter of Credit | 9.00 | SMERA A4 (Assigned) |
| Cash Credit (proposed) | 1.00 | SMERA B/ Stable (Assigned) |
| Letter of Credit(proposed) | 3.00 | SMERA A4 (Assigned) |

SMERA has assigned a rating of **'SMERA B' (read as SMERA single B)** to the Rs.3.00 crore long-term bank facilities and **'SMERA A4' (read as SMERA A four)** to the Rs.12.00 crore short-term bank facilities of Brahma Industries Private Limited (BIPL). The outlook is **'Stable'**. The ratings are constrained by the company's weak financial risk profile and low net profit margin in an intensely competitive segment of the timber industry. The ratings are also constrained by the company's working capital-intensive operations. However, the ratings are supported by the company's experienced management.

BIPL, incorporated in 2007, is a Delhi-based company engaged in trading of teak wood. BIPL's weak financial risk profile is marked by high leverage (total outside liabilities to tangible net worth ratio) of 5.89 times as on March 31, 2014 and low interest coverage ratio of 1.27 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's net profit margin is low at 0.18 per cent in FY2013-14. BIPL operates in an intensely competitive segment of the timber industry. The company's operations are working capital-intensive on account of stretched collection period of 177 days in FY2013-14.

BIPL benefits from its experienced management. Mr. Sunil Garg, director of BIPL, has around four decades of experience in the timber industry.

Outlook: Stable

SMERA believes BIPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected revenues and net cash accruals, or in case of deterioration in the company's financial risk profile and liquidity position.

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About the company

BIPL, established in 2007, is a Delhi-based company promoted by Mr. Sunil Garg. BIPL undertakes trading of teak wood. The company imports teak wood from Africa and South America.

For FY2013-14, BIPL reported net profit of Rs.0.08 crore on total income of Rs.43.96 crore, as compared with net profit of Rs.0.11 crore on total income of Rs.67.08 crore in FY2012-13. BIPL's net worth stood at Rs.4.91 crore as on March 31, 2014, as compared with Rs.3.45 crore a year earlier.

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