Press Release

Brahma Industries Private Limited

16 February, 2018

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 15.00 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. 15.00 crore bank facilities of Brahma Industries Private Limited (BIPL). The outlook is 'Stable'.

BIPL, incorporated in 2007, 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.

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 2017due 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	2.00	Long Term	SMERA BB-/ Stable
	Letter of Credit	9.00	Short Term	SMERA A4+
	Proposed Cash Credit	1.00	Long Term	SMERA BB-/ Stable
	Proposed Letter of Credit	3.00	Short Term	SMERA A4+
17 Dec, 2015	Cash Credit	2.00	Long Term	SMERA BB-/ Stable
	Letter of Credit	9.00	Short Term	SMERA A4+
	Proposed Cash Credit	1.00	Long Term	SMERA BB-/ Stable
	Proposed Letter of Credit	3.00	Short Term	SMERA A4+
16 Jan, 2015	Cash Credit	2.00	Long Term	SMERA B/ Stable
	Letter of Credit	9.00	Short Term	SMERA A4
	Proposed Cash Credit	1.00	Long Term	SMERA B/ Stable
	Proposed Letter of Credit	3.00	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	2.00	SMERA BB/ Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A4+
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB/ Stable
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4+

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ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, pleasevisit www.smera.in.