Rating Rationale

Brickwork Ratings Reaffirms 'BWR BB' & 'BWR A4' rating for the enhanced Bank Facilities of Jarai Kela Lumberman (India) Private Limited

Brickwork Ratings has re-affirmed the **Ratings**[1] for the enhanced bank loan facilities of Jarai Kela Lumberman (India) Private Limited **('JKL(I)PL'** ***or the*** **'Company'),** amounting to ₹ 11.80 Crs, availed from Bank of Baroda as follows:

Facilities	Tenure	Previous Limits (₹Cr)	Current Limits (₹Cr)	Review Ratings[1]	Rating History (Oct, 2014)
Fund Based **Cash Credit** **Term Loan (O/s)**	**Long Term**	3.50 3.06	**3.50** **2.30***	**BWR BB** (Pronounced BWR Double B) **Outlook: Stable (Re-affirmed)**	BWR BB Outlook: Stable
Non-Fund Based **BG** **LC**	**Short Term**	1.00 3.25	**1.00** **5.00**	**BWR A4** (Pronounced BWR A Four) **(Re-affirmed)**	BWR A4
Total			**11.80 (INR Eleven Crores and Eighty Lakhs only)**		

*** Total Outstanding Term Loan as on 31st Jan, 2016. Breakup of the facilities: Please refer Annexure I**

BWR has principally relied upon the audited financials of 'Jarai Kela Lumberman (India) Private Limited' up-to FY15, projections up-to FY18 and publicly available information and information/ clarifications provided by the management.

The ratings continue to draw strengths from the promoters' experience in plastic industry, established relationships with reputed clients, improvements in turnover, net-worth, coverage metrics and 10MFY16 estimated sales at ~ ₹ 22.00 Crs accompanied by healthy order book position. The rating is however constrained by the relatively small scale of operations, decline in margins, elongated working capital cycle, moderately stretched leverage (though improved marginally in FY15) as well as exposure to foreign currency risk pertaining to import of raw materials.

Background

Incorporated in 1990 by Mr. Jagdish Prasad Agarwal and Mr. Kailash Chand Jain, the Company altered its line of business from timber related products to the manufacturing of plastic moulded items, in the year 1996.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

In 2013, the Company started manufacturing of 210 litres plastic barrels and recently 235 litres plastic barrels, which find uses in the packaging of lubricants, paints, liquid glucose etc.

The clientèle of 'JKL(I)PL' includes reputed companies such as Shell India Markets Pvt. Ltd., IOCL, HCPL etc. Recently the Company has started importing 80% of the raw materials such as HDPE and PP granules from Qatar, Saudi and Singapore.

Management Profile

Mr. Kesar Chand Padia (brother of Mr. Jagdish Prasad Agarwal) and his son Mr. Bijay Padia are the current promoter directors of the Company. They carry extensive experience by the virtue of 'Padia Group' of companies having diversified business interests.

Financial Performance

The Company reported an operating income of ₹ 23.34 Crs in FY15 as against ₹ 15.14 Crs in FY14 pertaining to volume growth by the introduction of 210 and 235 litres of plastic barrels. The PAT stood at ₹ 0.13 Crs as compared to ₹ 0.11 Crs in FY14. The leverage remains moderately stretched; however the coverage metrics have reasonably improved in FY15. The working capital cycle improved marginally; however remained stretched on account of prolonged inventory period. As informed by the management, the Company has achieved an estimated sales of ~₹ 22.00 Crs for 10MFY16.

Rating Outlook

The outlook is expected to be stable for the current year. Going forward, the Company's ability to improve its scale of operations with improved margins, strengthening of Tangible Net-worth, working capital cycle and effectively managing the foreign currency exposure would remain the key rating sensitivities.

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Jarai Kela Lumberman (India) Private Limited

Annexure I: Details of Bank Loan Facilities

Bank Facilities	Type of facility	Tenure	Previous Rated Amount (₹Crs)	Amounts to be Rated (₹ Cr)
Cash Credit	Fund Based	Long Term	3.50	3.50
Term Loan I (O/s)			0.68	0.50**
Term Loan II (O/s)			2.38	1.80**
Bank Guarantee	Non-Fund Based	Short Term	1.00	1.00
Letter of Credit			3.25	5.00
Total Amount to be Rated				11.80

***Outstanding as on 31st Jan, 2016*