



RATING RATIONALE

7 Feb 2020

Lala Dhani Ram Ramesh Kumar

Brickwork Ratings has reaffirmed the ratings for the Bank Loan Facilities of ₹ 7.50 Crores of Lala Dhani Ram Ramesh Kumar

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Previous Rating (June, 2018)	Rating* Assigned
	Previous	Present			
Fund based Overdraft	7.50	7.50	Long Term	BWR B+ Stable	BWR B+ Stable Reaffirmed
Total	7.50	7.50	INR Seven Crore Fifty Lakh Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

RATING ACTION

Brickwork rating has reaffirmed the long term rating to BWR B+/Stable for the bank loan facilities of Lala Dhaniram Ramesh Kumar.

The rating draws comfort from the experience of partners. The rating however, constrained by moderate financial risk profile, small scale of operations, intense competition, fragmented nature of industry and nature of constitution.

KEY RATING DRIVERS

Credit Strengths:

Experienced Partners: The Entity was established in the year 2001 and since then it is engaged in the business of manufacturing veneer & trading of timber. Ms. Anu Jindal, Mr. Vipin Jindal and Mr. Arun Kumar Jindal are partners in the firm and also associated with other firms/companies (mainly into construction & timber) in the capacity of proprietor, partner and director that shows diversified experience of partners.

Credit Risks:

Moderate Financial Risk Profile: The Company reported total operating income of INR 24.03 crores and profit of INR 0.03 crore in FY19 against total operating income of INR 11.51 crores and loss of INR 0.25 crore in FY18. The Debt protection metrics of the firm is weak as ISCR & DSCR stood at 1.14x & 0.75x in FY19 against 0.87x & 0.66x in FY18. OPBDIT stood at INR



1.46 crores in FY19 against INR 0.71 crore in FY18. TNW is declining continuously over the last 3 years, however the partners are infusing funds by way of unsecured loans.

Intense Competition and fragmented nature of the industry: The timber trading and manufacturing industry is dominated by numerous independent, small-scale enterprises. High degree of fragmentation due to the presence of large number of unorganized players has led to high competitive intensity in the processing segment.

Nature of Constitution: Lala Dhaniram Ramesh Kumar being a partnership firm is exposed to inherent risk associated with partnership constitution such as capital being withdrawn at a time of personal contingency and risk of dissolution. It is observed that capital is being withdrawn by partners continuously over the last 3 years.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the entity to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the entity to improve its scale of operations, improve its profitability margins, the debt servicing capability & liquidity would be key rating sensitivities.

- **Positive :**
The outlook may be revised to positive if the entity is able to achieve significant growth in revenue and profitability backed by a favourable industry scenario and sustained improvement in working capital management.
- **Negative :**
The outlook may be revised to negative if revenue and profit margins decline from the current level, and if there is an overall deterioration in the financial position of the entity. Any additional borrowing by the entity may lead to further deterioration in the financial risk profile such as debt protection metrics and profit margins.

LIQUIDITY POSITION

- The Firm has Cash & Bank balances of INR 0.42 Crore in FY19. Net cash accruals for FY19 is INR 0.20 Crore.
- The Overdraft utilization of the last 6 months was around 100%.
- The Firm has a current ratio of 1.31x in FY19 against 1.47x in FY18.
- Entity is having below average debt protection metrics, ISCR & DSCR stood at 1.14x & 0.75x in FY19 against 0.87x & 0.66x in FY18.

- Conversion Cycle improved to 143 days in FY19 against 236 days in FY18.

The Overall Liquidity appears to be stretched.

FIRM PROFILE

Lala Dhani Ram Ramesh Kumar, a partnership firm, established in the year 2001 is engaged in manufacturing of veneer and trading of timber. Its business unit is located at Mohanlalganj, Lucknow and registered office at Gopal Khera, Lucknow.

Ms. Anu Jindal, Mr. Vipin Jindal and Mr. Arun Kumar Jindal are partners in the firm and at helm of the affairs.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 18	FY19
Result Type		Audited	Audited
Total Operating Income	Rs Crs	11.51	24.03
OPBDIT	Rs Crs	0.71	1.46
PAT	Rs Crs	-0.25	0.03
TNW	Rs Crs	0.89	0.66
TNW (Analyzed)	Rs Crs	3.22	3.72
Total Debt/TNW	Times	13.41	20.99
Total Debt/TNW (Analyzed)	Times	3.00	2.92

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY- Not Available

RATING HISTORY

Facilities	Current Rating (2020)			Rating History		
	Tenure	Amount (₹ Cr)	Rating	2019	June, 2018	2017
Fund Based Overdraft	Long Term	7.50	BWR B+ Stable Reaffirmed	-	BWR B+ Stable	-
Total		7.50	INR Seven Crore Fifty Lakh Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Rating Criteria for Manufacturing Companies](#)

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ANNEXURE I

Details of Bank Facilities rated by BWR

Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
Bank of Baroda	Fund Based Overdraft	7.50	-	7.50
TOTAL				7.50

INR Seven Crore Fifty Lakh Only



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