



Press Release
PAREKH TIMBER TRADERS
April 16, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	10.50	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	12.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of ‘**ACUITE BB-**’ (read as **ACUITE double B minus**) and short-term rating of ‘**ACUITE A4**’ (read as **ACUITE A four**) on Rs.12.50 crore bank loan facilities of Parekh Timber Traders (PTT). The outlook is ‘**Stable**’.

Rationale for the rating

The rating reaffirmation continues to reflect the steady operating performance of the firm. The rating further draws comfort from experienced management, established track record of operations, healthy relations with its customers and adequate liquidity position of the firm. However, the rating is constrained by the below average financial risk profile, working capital intensive operations and susceptibility of the profitability to volatility in the prices of raw materials and forex fluctuation risk.

About the Company

Established in the year 1984, Parekh Timber Traders (PTT) is a Karnataka based partnership firm engaged in wholesale and retail trading of timber used for windows, doors, interior designing, etc. PTT is promoted by partners, Mr. Vinodkumar Patel, Mr. Vijay Patel and others who have experience of more than two decades in the business of trading of wood.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered a standalone approach to arrive at the rating of Parekh Timber Traders (PTT)

Key Rating Drivers

Strengths

Established track record of operations and experienced management

Established in the year 1984, PTT has a long track record of the operation of more than three decades in the business of trading of woods. The partners of the firm have experience of more than two decades in the same line of business. The experience of the partners has helped the firm in establishing healthy relationships with its customers and suppliers. PTT has its customer base spread across Karnataka and Tamil Nadu. Acuite believes that

PTT will sustain its existing business risk profile on the back of established track record of operations, experienced management and healthy relations with its customers and suppliers.

Stagnant revenues while maintaining profitability margins

Parekh timber traders (PTT) reported operating income of Rs. 41.35 crore in FY24 as against Rs. 52.66 crore in FY23 and Rs. 34.63 crore in FY2022. Further, in 12MFY25 the firm had estimated revenue of around Rs.39.34 crore due to low demand. Profitability of the firm has remained stable with a range bound operating margins at ~3-

4 per cent. Operating margin of the firm improved and stood at 4.34 percent in FY24 as against 3.07 percent in FY23. PAT margins of the firm stood at 1.00 percent in FY24 as against 1.05 percent in FY23. Acuite believes, the firm's ability to sustain its scale of operations and its profitability will remain as a key rating monitorable.

Weaknesses

Below Average Financial Risk Profile

Financial risk profile of the firm is below average with low net worth, high gearing and comfortable debt protection indicators. Net worth of the firm stood at Rs.4.41 crore as on 31st March 2024 as against Rs.3.77 crore as on 31st March 2023. Gearing of the firm stood high at 2.24 times as on 31st March 2024 as against 3.06 times as on 31st March 2023. Total debt of the firm comprises of unsecured loans of Rs.9.87 crore as on 31st March 2024 which is interest bearing of around 12 percent. Total outside liabilities to Tangible net worth (TOL/TNW) stood at 4.45 times as on 31st March 2024 as against 5.11 times as on 31st March 2023. The firm does not have any term loans. Interest coverage ratio stood comfortable at 1.39 times in FY24 as against 1.68 times in FY23. Net Cash Accruals to Total Debt (NCA/TD) of the firm stood at 0.05 times for FY2024 as against 0.06 times for FY2023. Acuite believes that the financial risk profile is likely to remain average in the absence of any debt-funded capital expenditure and any large deviations in incremental working capital requirements.

Intensive Working capital operations

Working capital operations of the firm are intensive marked by GCA days of 165 days in FY24 as against 118 days in FY23. GCA days are driven by high debtor days. The firm offers a credit period of ~90 days to its customers. Debtors' collection period stood at 111 days in FY24 as against 85 days in FY23. Inventory days stood at 48 days in FY24 as against 28 days in FY23. Generally, the inventory holding period is around 30-45 days. Round logs and lumbers form a part of raw materials which are majorly imported from Indonesia, Dubai, Malaysia and other countries in Africa. The firm opens an LC of 180 days for such purchases. Creditor days stood at 91 days in FY24 as against 56 days in FY23. The average utilization of the fund-based limits stood around 79.10 per cent and for non-fund-based limits stood around 74.09 percent for past 08 months ended February 2025. Acuite believes that the working capital operations of the firm will remain intensive over the medium term and will continue to remain a key rating sensitivity.

Profit margins are susceptible to volatility in raw material prices and forex fluctuations

PTT caters to industries like manufacturers of structural elements in all sorts of buildings, cladding products and for manufacturing of sheet materials and furniture. Around 60-70 per cent of the sales are B2B sales and the remaining are B2C Sales. The major raw material procured by the firm is wood, which accounts for ~90-95 per cent of its cost of sales; and the prices of raw material are highly volatile in nature. Majority of the lumbers are imported from Dubai, Indonesia, Malaysia and African countries; hence profitability is exposed to forex fluctuation risk as firm is not hedging its exposure.

Rating Sensitivities

Improvement in scale of operation while improving the profitability margin
Deterioration in working capital cycle
Changes in financial risk profile

Liquidity Position

Adequate

The firm's liquidity position is adequate, marked by net cash accruals against the comfortable maturity debt obligations. The firm generated net cash accruals of Rs.0.53 Crore from FY2024 against no long-term debt repayment obligations. The average utilization of the fund-based limits stood around 79.10 per cent and for non-fund-based limits stood around 74.09 percent for past 08 months ended February 2025. The firm maintains unencumbered cash and bank balances of Rs.0.27 crore as on March 31, 2024. The current ratio of the firm stands at 2.16 times as on March 31, 2024 as against 2.08 times as on 31 March, 2023. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	41.35	52.66
PAT	Rs. Cr.	0.41	0.55
PAT Margin	(%)	1.00	1.05
Total Debt/Tangible Net Worth	Times	2.24	3.06
PBDIT/Interest	Times	1.39	1.68

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 Jan 2024	Letter of Credit	Short Term	10.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	1.95	ACUITE BB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.05	ACUITE BB- Stable (Reaffirmed)
21 Oct 2022	Letter of Credit	Short Term	10.00	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	0.50	ACUITE A4 (Assigned)
	Cash Credit	Long Term	1.50	ACUITE BB- Stable (Upgraded from ACUITE B+)
	Cash Credit	Long Term	0.45	ACUITE BB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.05	ACUITE BB- Stable (Assigned)
14 Feb 2022	Letter of Credit	Short Term	10.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	1.50	ACUITE B+ (Downgraded & Issuer not co-operating* from ACUITE BB- Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.95	Simple	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.50	Simple	ACUITE A4 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.05	Simple	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

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