

Press Release

Zamindara Timber Private Limited

08 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 Cr
Long Term Rating	SMERA BB-/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-' (read as SMERA double B minus)** and short-term rating of '**SMERA A4' (read as SMERA A four)** on the Rs. 20.00 crore bank facilities of Zamindara Timber Private Limited (ZTPL). The outlook is '**Stable**'.

ZTPL, a Haryana-based proprietorship concern established in 1975 was changed to private limited in 2013. The company is engaged in the trading of timber.

About the Group

The Zamindara group consists of ZTPL and Ved Prakash & Sons Lumbers Private Limited (VPSLPL) incorporated in 2009. Both are engaged in the same line of business. The group mainly imports timber logs from Malaysia, New Zealand, Solomon Islands and Singapore and sells to traders, wholesalers, civil engineering companies and construction companies in Gujarat, Punjab and Haryana.

List of key rating drivers and their detailed description

Strengths:

Established track record of operations and experienced management

The group has operational record of more than four decades in the timber trading business. The established track record has helped the group maintain long standing relations with suppliers and customers. The company caters to traders, wholesalers, civil engineering companies and construction companies in Gujarat, Punjab and Haryana. The group also benefits from the extensive experience of the promoters, Mr. Amit Kamboj and Mr. Sailash Kamboj who collectively possess more than two decades of experience in the timber trading business. SMERA believes that the group will maintain a stable outlook on account of its established track record of operations and experienced management.

Weaknesses:

Profit margins susceptible to volatility in timber prices and forex rates

The group imports 100 percent of its timber log requirements from Malaysia, New Zealand, Solomon Island and Singapore. Hence, the profitability of the company is exposed to volatility in forex rates in the absence of adequate hedging mechanism. Further, the group is also exposed to unfavorable regulatory changes in these countries. Besides, the firm is exposed to the highly fragmented and competitive timber industry due to low entry barriers restricting its pricing flexibility and affecting profitability. The operating margin stood at 2.52 per cent in FY2017 compared to 1.30 per cent in FY2016.

Moderate financial risk profile

The financial risk profile of the group is moderate marked by adjusted tangible networth of Rs. 8.57 crore as on 31 March, 2017 compared to Rs.7.87 crore in the previous year. The adjusted gearing stood high at 2.98 times as on 31 March, 2017 against 6.37 times as on 31 March, 2016. For arriving at the tangible networth and gearing position, SMERA has considered the unsecured loan of Rs. 1.87 crore from promoters as on 31 March, 2017 as quasi equity as the same is subordinated to bank debt. The total debt of Rs. 25.58 crore as on 31 March, 2017 mainly includes short term borrowing of Rs. 25.31 crore and long term borrowing of Rs. 0.27 crore. The Interest Coverage ratio stood at 1.45 times in FY2017 as against 1.76 times in FY2016. The Net cash Accruals to Total Debt stood at 0.02 times for FY2017 as against 0.01 times in the previous year. The Adjusted total outside Liabilities to tangible networth (TOL/TNW) ratio stood at 3.18 times as on 31 March, 2017 as against 6.66 times in the previous year.

Working capital intensive operations

The operations of the Zamindara group are working capital intensive reflected in the high Gross Current Assets (GCA) of 145 days in FY2017 as against 183 days in FY2016. The group has large working capital requirements as majority of the imports are backed by Letter of credit facility. The Inventory days stood at 48 days and collection period at 94 days in FY2017. Further, the group has fully utilised its working capital limits during the six months ended December 2017. SMERA believes that the efficient working capital management will be crucial to the company in maintaining a stable credit profile.

Analytical approach:

SMERA has consolidated the business and financial risk profiles of Zamindara Timber Private Limited (ZTPL) and Ved Prakash & Sons Lumbers Private Limited (VPSLPL) owing to similarities in the lines of business and common management.

Outlook: Stable

SMERA believes that the group will maintain a Stable outlook and continue to benefit over the medium term owing to the extensive experience of the promoters in the timber trading business. The outlook may be revised to 'Positive', if the company achieves significant growth in revenue and improvement in profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile on account of higher than expected working capital requirement.

About the Rated Entity –Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	79.49	93.93	77.93
EBITDA	Rs. Cr.	2.00	1.22	1.31
PAT	Rs. Cr.	0.32	0.28	0.31
EBITDA Margin	(%)	2.52	1.30	1.68
PAT Margin	(%)	0.41	0.30	0.40
ROCE	(%)	4.69	3.39	8.50
Total Debt/Tangible Net Worth	Times	2.98	6.37	4.14
PBDIT/Interest	Times	1.45	1.76	1.75
Total Debt/PBDIT	Times	12.76	41.06	21.35
Gross Current Assets (Days)	Days	145	187	150

Applicable Criteria

- Trading Entities – <https://www.smera.in/criteria-trading.htm>
- Default Recognition - <https://www.smera.in/criteria-deafult.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.75	SMERA BB-/ Stable (Assigned)
Proposed Overdraft	Not Applicable	Not Applicable	Not Applicable	1.25	SMERA BB-/ Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in Shashikala Hegde, Senior Rating Analyst, Tel: 022-67141111 Email: shashikala.hegde@smera.in	Varsha Bist Manager – Rating Desk Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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