

Press Release

Garg Lumbers Private Limited

September 27, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Bank Loan Ratings	3.00	ACUITE BB+ Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	28.00	-	-

Rating Rationale

Acuite has Reaffirmed and withdrawn the long-term rating at '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating at '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 28.00 Crore bank facilities of Garg Lumbers Private Limited (GLPL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the company and no objection certificate (NOC) received from the banker.

About Company

Gujarat based, Garg Lumbers Private Limited (GLPL) was incorporated in 2005 by Mr. Sameer Garg and Mrs. Reeta Garg. The company is a part of Delhi based Sumitra Rajkripal Group. GLPL is engaged in trading of timber logs and sawn timber. GLPL imports wood from Malaysia, Ghana, Costa Rica and Ecuador and sells it in domestic market mainly in five states i.e. Gujarat, Delhi, Haryana, Rajasthan and Uttar Pradesh.

About the Group

Rajkripal group was founded in 2004 by Mr. Garg and family. The group includes Garg Lumbers Private Limited (GLPL) and Rajkripal Timber Industries Private Limited (RTIPL). The group is mainly engaged in trading of timber and is also engaged in manufacturing of plywood. The group has presence across Gujarat, Delhi, Haryana, Rajasthan and Uttar Pradesh among others.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profiles of GLPL and RTIPL together known as Rajkripal Timber Group, to arrive at this rating. The consolidation is on account of common management, similar line of business, and operational linkages.

Key Rating Drivers

Strengths

Experienced management

Rajkripal Group is mainly managed by the Garg family. The group is engaged in the trading of timber logs for more than 15 years. Now the business is managed by Mr. Sanjay Garg with around two decades of experience in the business by virtue of his prior employment in other companies related in the same line of business.

Moderate Financial Risk Profile

Group's financial risk profile is moderate marked by moderate net worth, comfortable gearing and average debt protection metrics. Group's total tangible net worth as on 31st March 2021 stood at Rs. 16.54 Cr as against Rs. 14.28 Cr in the previous year. Debt to Equity ratio stood comfortable at 0.85 times in FY 2021 as against 1.00 times in FY 2020. Total debt of Rs. 14.05 Cr in FY 2021 consists of Rs. 1.88 Cr of long term debt and Rs. 12.17 Cr of unsecured loans. Interest Coverage Ratio and DSCR is moderate and stood at 2.32 times and 2.01 times respectively in FY 2021. NCA/TD has improved to 0.18 times in FY 2021 as against 0.10 times in FY 2020.

Weaknesses

Risk related with regulatory changes in domestic and foreign countries

The imports of the group are exposed to risk related with different regulatory changes in domestic and foreign countries. The imports of the group are subject to import duty by the government of India. Any increase in the import duty may increase the cost the imports of group. The imports of the group are also exposed to risk related with the changes in regulatory policies of exporting countries (suppliers). The ban in exporting countries could affect the business and financial risk of the entire group.

Competitive and fragmented nature of business

The group is engaged in the trading of teak wood from countries such as Ghana, Ecuador, Costa Rica and several others. The group is selling teak wood to traders located 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 at moderate levels.

Rating Sensitivities

- Scale of operations.
- Working capital intensive nature of operations.

Material Covenants

None.

Liquidity Position

Adequate

Liquidity of the group is adequate with the group generating net cash accrual of Rs. 2.51 Cr in FY 2021. In FY 2021 cash and bank position stood at Rs. 3.40 Cr and current ratio at 1.31 times.

Outlook: Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	178.61	175.41
PAT	Rs. Cr.	2.26	1.19
PAT Margin	(%)	1.27	0.68
Total Debt/Tangible Net Worth	Times	0.85	1.00
PBDIT/Interest	Times	2.32	1.88

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

CARE wide its press release dated February 27, 2018 mentioned rating of Garg Lumbers Private Limited as [CARE BB-/Stable/A4+ Issuer Not Cooperating]. CARE wide its press release dated 24th August 2022 mentioned rating of Garg Lumbers Private Limited as [CARE B+/Stable/A4 Issuer Not Cooperating].

Any Other Information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Aug 2022	Cash Credit	Long Term	3.00	ACUITE BB+ (Issuer not co-operating*)
	Letter of Credit	Short Term	25.00	ACUITE A4+ (Issuer not co-operating*)
25 May 2021	Letter of Credit	Short Term	25.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
26 Feb 2020	Cash Credit	Long Term	3.00	ACUITE BB Stable (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A4+ (Reaffirmed)
08 May 2019	Cash Credit	Long Term	3.00	ACUITE BB Stable (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A4+ (Reaffirmed)
17 May 2018	Cash Credit	Long Term	3.00	ACUITE BB Stable (Assigned)
	Letter of Credit	Short Term	25.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB+ Reaffirmed & Withdrawn
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4+ Reaffirmed & Withdrawn

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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