

Press Release

Puthupalayam Timber Industries

November 27, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 11.00 crore bank facilities of Puthupalayam Timber Industries (PTI). The outlook is '**Stable**'.

Established in 1978, PTI is a partnership firm based out of Tenkasi (Tamil Nadu). The firm is engaged in wholesale trading of imported timbers such as Teak Logs, Merbau Saw Timbers and Mora Logs.

Analytical Approach

For arriving at the ratings, Acuité has considered standalone business and financial risk profile of PTI.

Key Rating Drivers

Strengths

- **Experienced management:**

PTI is promoted by Mr. Velayutha Raja who has more than 2 decades of experience in timber trading industry.

Weaknesses

- **Highly competitive and fragmented industry**

Timber trading industry is highly fragmented with a large number of unorganised players with low pricing discipline. Intense competition is due to low entry barriers and low product differentiation.

- **Stretched working capital cycle:**

Operations of PTI is working capital intensive in nature with elongated Gross Current Asset (GCA) of 222 days in as on 31 March, 2018 as against 143 days as on 31 March, 2017. However, the liquidity position stood comfortable with average utilisation of 68 percent in six-months ended in September 2018.

- **Modest scale of operation:**

In spite of being in operation for more than 4 decades, PTI's scale of operation is modest with operating income at Rs.17.66 crore in FY18 as against Rs.18.58 crore in FY17.

Outlook: Stable

Acuité believes that the outlook on PTI's rated facilities will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if there is improvement in scale of operation while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in profitability and scale of operations.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	17.66	18.58	14.17
EBITDA	Rs. Cr.	0.61	0.80	0.55
PAT	Rs. Cr.	0.28	0.50	0.19
EBITDA Margin	(%)	3.46	4.30	3.91
PAT Margin	(%)	1.58	2.68	1.31
ROCE	(%)	16.57	22.92	32.41
Total Debt/Tangible Net Worth	Times	0.17	0.20	0.34
PBDIT/Interest	Times	2.05	2.89	1.75
Total Debt/PBDIT	Times	0.80	0.73	1.37
Gross Current Assets (Days)	Days	222	158	249

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4

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About Acuité Ratings & Research:

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