



Press Release
Shiv Prasad Eco Touchwood Private Limited
July 20, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.26	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	20.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	32.26	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE Double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 32.26 crore bank facilities of Shiv Prasad Eco Touchwood Private Limited (SPPL). The outlook is '**Stable**'.

Rationale for Reaffirmation

The rating of the group has been reaffirmed on the basis of improvement in operating performance in FY2023 (Prov.). The Company's operating income stood at Rs.201.54 Cr in FY2023(Prov.) as against Rs.145.91 Cr in FY2022. The improvement in revenues is on account of increase in trading of timber. However, the group's operating margins stood at 3.67% in FY23 (Prov.) as against 4.32% in FY22. The decline is due to high raw material costs. The rating continues to derive strength from extensive experience of the management, moderate financial risk profile and adequate liquidity position. However, the above-mentioned strengths are partly offset by elongation in working capital operations, risk related with regulatory changes in domestic & foreign countries and competitive and fragmented nature of business.

About Company

SPPL is a Mumbai based company incorporated by Mr Kirti Patel in 2007. SPPL is engaged in trading of teak round logs. SPPL caters primarily to export market. It acts as a mercantile trader procuring timber from Malaysia and other south east asian countries and sells it in domestic as well as overseas markets such as Europe and Middle East.

About the Group

SVPL was incorporated by Mr Kirti Patel in 1975 in Mumbai. SVPL is engaged in the business of timber trading, primarily teakwood procured from Myanmar. SVPL caters primarily to export market. It acts as a mercantile trader procuring timber from Malaysia and other south east asian countries and sells it in domestic as well as overseas markets such as Europe and Middle East.

SPE is a Mumbai based partnership firm established in the year 1993 by Mr. Kirti Patel and his family members. SPE caters primarily to export market. SPE is engaged in mercantile trading procuring timber from Malaysia and other south east asian countries and sells it in domestic as well as overseas markets such as Europe and Middle East.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profile of Shree Shankar Vijay Timber Exports Private Limited (SVPL), Shiv Prasad Enterprises (SPE) and Shiv Prasad Eco Touchwood Private Limited (SPPL) to arrive at the rating. The three companies together shall hereby be referred to as the 'Shiv Prasad Group' (SPG). The consolidation is in view of same business line, operational synergies, and common management.

Key Rating Drivers

Strengths

>Extensive experience and established track record of operations

SPG was established in 1982 by Mr. Kirti Patel and is currently being managed by his sons- Mr. Nilesh Kirti Patel and Mr. Nifin Kirti Patel. Mr. Nilesh has been a part of the group since 1994. All the promoters have experience of more than three decades in the timber trading industry and also look after the overall operations. The Group has established relationship with the suppliers in Malaysia and other south east asian countries for giving SPG access to premium quality teak wood. The experience of the directors has helped the group maintain relationships with customers and suppliers. The Group has generated a revenue of Rs.201.54 Cr in FY2023 (Prov) as against Rs.145.91 Cr in FY2022.

Acuité believes the Group is expected to benefit from extensive experience of its promoters and established operational track record.

>Moderate Financial Risk Profile

The financial risk profile of the group stood moderate, marked by moderate net worth, moderate gearing (debt-equity) and modest debt protection metrics. The tangible net worth stood at Rs.25.15 crore as on 31 March 2023 (Prov.) as against Rs.22.84 crore as on 31 March, 2022. The total debt of the company stood at Rs.41.52 crore which includes long-term debt of Rs.5.99 crore, short-term debt of Rs.29.40 crore, unsecured loans of Rs.4.33 crore and CPLTD of Rs.1.80 crore as on 31 March 2023 (Prov.). The gearing (debt-equity) stood at 1.65 times as on 31 March 2023 (Prov.) as compared to 1.78 times as on 31 March, 2022. Interest Coverage Ratio stood at 1.75 times for FY2023 (Prov.) as against 1.38 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.57 times in FY2023 (Prov.) as against 1.30 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.74 times as on 31 March, 2023 (Prov.) as against 1.80 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.06 times for FY2023 (Prov.) as against 0.03 times for FY2022.

Acuité expects SPG's financial risk profile to remain moderate over the medium term in the absence of any major debt funded capex plan.

Weaknesses

>Elongation in Working Capital

The working capital management of the group is intensive marked by GCA days of 121 days in FY23 (Prov.) as against 154 days in FY22. The GCA Days are driven by high debtor days. Debtor's collection period stood at 104 days in FY23 (Prov.) as against 132 days for FY22. Generally, the group gives a credit period of 120 days to its customers. Furthermore, the group pays its creditors either in advance or against delivery, hence no significant credit support is obtained from suppliers by the Group.

Acuité believes the Group's ability to restrict elongation in its working capital cycle will be a key rating sensitivity.

>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 of imports of the 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 group.

>Competitive and fragmented nature of business

The group is engaged in the trading of teak woods from Malaysia and other south east asian countries and the group is selling teak woods to traders located in India and overseas. Further, the industry is marked by the presence of several medium to big size players. This affects the SPG pricing power and affects its profitability.

Rating Sensitivities

- Ability to restrict further elongation in working capital cycle will be key rating sensitivity.
- Ability to maintain stability in financial risk profile.

Material Covenants

None.

Liquidity Position

Adequate

The group's liquidity position is adequate, marked by moderate net cash accruals against the maturing debt obligations. The group generated sufficient net cash accruals in the range of Rs.2.41 Crore from FY2023 (Prov) against the maturing repayment obligations of Rs.1.80 crore over the same period. In addition, it is expected to generate sufficient net cash accrual in the range of Rs.3.51-4.50 crores against the maturing repayment obligations of Rs.0.82-1.80 crore over the medium term. The working capital management of the group is intensive marked by GCA days of 121 days in FY2023 (Prov.) as against 154 days in FY2022. The group maintains unencumbered cash and bank balances of Rs.5.18 crore as on March 31, 2023 (Prov.). The current ratio stands at 2.04 times as on March 31, 2023 (Prov.), as against 1.66 times as on 31 March, 2022.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook:

Acuité believes that SPG will maintain a 'Stable' outlook over the medium term owing to its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case the group registers healthy improvement in operating risk profile while restricting working capital cycle elongation. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or profit margins, or further elongation of working capital cycle leading deterioration in the group's financial risk profile and liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	201.54	145.91
PAT	Rs. Cr.	2.31	1.28
PAT Margin	(%)	1.14	0.88
Total Debt/Tangible Net Worth	Times	1.65	1.78
PBDIT/Interest	Times	1.75	1.38

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

Care Ratings, vide its press release dated August 25, 2022 had denoted the rating to Shiv Prasad Eco Touchwood Private Limited (SPPL) as 'CARE A4' (Issuer Not Cooperating)' on account of lack of adequate information required for monitoring of ratings.

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 Entitie: <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, Acuite 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
06 May 2022	Letter of Credit	Short Term	30.60	ACUITE A4+ (Reaffirmed)
	Working Capital Term Loan	Long Term	1.66	ACUITE BB+ Stable (Reaffirmed)
16 Feb 2021	Letter of Credit	Short Term	30.60	ACUITE A4+ (Assigned)
	Working Capital Term Loan	Long Term	1.66	ACUITE BB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	7.06	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	3.00	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	2.20	ACUITE BB+ Stable Reaffirmed

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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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