Press Release

Chaudhary Timber Industries Private Limited
October 10, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.25	ACUITE A- | Stable | Reaffirmed | Negative to Stable	-
Bank Loan Ratings	101.75	-	ACUITE A2+ | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	102.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating to **"ACUITE A-" (read as ACUITE A minus)**and short term rating to **"ACUITE A2+" (read as ACUITE A two plus)**on the Rs.102.00 Cr. bank facilities of Chaudhary Timber Industries Private Limited. The outlook is revised from **"Negative"** to **"Stable"**.

Rationale for reaffirmation

The revision in the outlook is based upon no further deterioration in the operational profile and financial risk profile. In addition, there has been no further stretch in the working capital operations of the company. The company witnessed moderation in the operating revenue which stood at Rs.375.98 Cr. in FY2024 as against Rs.379.98 Cr. in FY2023. The operating margin stood at 6.66% and PAT margin stood at 5.36% in FY2024. The moderation in revenue and margins is on account of volatility in raw material prices in FY2024 as compared to FY2023. However, the company has booked revenue of Rs.225 crore in first half of FY2025. Going forward, the company is expected to improve the scale of operations in near to medium term supported by slightly better margins. In addition, the working capital operations of the company is moderately intensive marked by GCA days which stood at 153 days as on 31st March 2024. The rating also draws comfort from comfortable financial risk profile of the marked by strong net-worth, improvement in gearing ratio and strong liquidity marked by net cash accruals of Rs.21.20 crore for FY2024 against nil debt obligations. In addition, cash and bank balances of company stood at Rs.0.06 crore while fixed deposits stood at Rs.103.10 crore wherein unencumbered amounted to Rs.59.52 crore as on 31st March FY2024. However, the above mentioned strengths are partly off-set by the supplier concentration risk and volatility in raw material prices driven by market dynamics will remain a key sensitive factor in near to medium term.

About the Company

Chaudhary Timber Industries Private Limited (CTIPL) was incorporated in 2007 and is engaged in processing and trading of pinewood. The company was initially established as family oriented business, as Chaudhary Timber Traders at Nangloi Delhi, by Late Sh. Baldev Raj Nijhawan. The business, when set up was at its nascent stage of operation during which very few timber organizations were being operated. The company imports pinewood from New Zealand, Germany, Canada and Russia, processes it at various size and shape as per customer's requirement. The same is then distributed through 3000 to 4000 dealer network across India. The company managed by Mr. Vishal Nijhawan and Mr. Sunil Nijhawan.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of CTIPL to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations with experienced promoters

The company was incorporated in 2007 and hence has more than decade of existence in the industry. The company was initially set up as family oriented business and is pioneer in timber processing. During 1996, Chaudhary Timber started importing timber from Malaysia, New Zealand and other countries. However, in 2007, the firm was converted into private limited entity, by Smt. Usha, wife of Late Baldev Raj Nijhawan, Mr. Sunil Nijhawan and Mr. Vishal Nijhawan. The long track record of business has enabled in developing established customer and supplier network.

Comfortable Financial Risk Profile

The financial risk profile of the company is comfortable marked by net-worth of Rs.182.63 Crore as on 31st March 2024 as against Rs.162.48 Crore as on 31st March 2023. The increase in the net-worth is on an account of accretion of profits into reserves. Further, the total debt of the company stood at Rs.86.26 Crore as on 31st March 2024 as against Rs.128.37 Crore as on 31st March 2023. The capital structure of the company is comfortable marked by gearing ratio of the company which stood at 0.47 times as on 31st March 2024 as against 0.79 times as on 31st March 2023. Further, the coverage indicators of the company are also comfortable reflected by interest coverage ratio and debt service coverage ratio, which stood at 6.47 times and 5.12 times respectively as on 31st March 2024. The TOL/TNW ratio of the company stood at 0.51 times as on 31st March 2024 as against 0.87 times as on 31st March 2023 and Debt-EBITDA of the company stood at 2.59 times as on 31st March 2024 as against 3.79 times as on 31st March 2023. Acuité believes that going forward the financial risk profile of the company is expected to remain comfortable with no major debt funded capex plans.

Weaknesses

Supplier concentration

The company imported around ~84% of raw material from top 10 supplier in FY2024. The major portion of raw material was imported from Uruguay, Singapore, Australia and New Zealand, ~89 percent of the total purchase in FY2024 are in nature of import. Further ~34 percent of total purchases are from Uruguay.

Moderation in Business Risk profile

The company reported operating revenue of Rs.375.98 Cr. in FY2024 as against Rs.379.98 Cr. in FY2023 . The volatile market dynamics and lower sales in H1 of the financial year as compared to H2 due to rainy season thereby impacting the supply chain resulted into moderation in revenue generation. Further, the company witnessed moderation in the operating margin which stood at 6.66% in FY2024 as against 6.79% in FY2023 and likewise PAT margin which stood at 5.36% in FY2024 as against 5.63% in FY2023. The moderation in margins are on account of volatility in raw material prices by 1.42 percent in FY2024 as compared to FY2023. In addition, there is an increase in the operational costs including selling and employee expenses on an account of focus on digital marketing and addition of operations as well as market research team to review the operations of the company. The company has booked revenue of Rs.225 crore in first two quarters of FY2025. Further to enhance the revenue, the company is focusing on research and digital marketing strategies for analysing the market dynamics to cater the needs of the customers. Acuite believes that the ability of the company to manage and improve its operating revenue and profitability margins will remain a key rating sensitivity.

Moderately Intensive Working Capital Operations

The working capital operations of the company have been moderately intensive marked by GCA days which stood at 153 days as on 31st March 2024 as compared to 171 days as on 31st March 2023. The debtor days of the company stood at 101 days as on 31st March 2024 as against 102 days as on 31st March 2023. The creditor days stood at 4 days as on 31st March 2024 as against 11 days as on 31st March 2023. Further, the inventory holding stood at 38 days as on 31st March 2024 as against 57 days as on 31st March 2023.Acuité believes that the working capital operations of the company will remain at similar levels in near to medium term.

Rating Sensitivities

- Improvement in revenue and profitability margins.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile.

Liquidity Position

Strong

Company has strong liquidity marked by net cash accruals of Rs.21.20 crore for FY2024 against nil debt obligations due to absence of the long term debt. Going forward, the company is expected to generate sufficient net cash accruals in near to medium term. Current Ratio improved and stood at 2.81 times as on 31 March 2024 as against 2.08 times in the previous year. Cash and Bank Balances of company stood at Rs.0.06 crores while fixed deposits stood at Rs.103.10 crore wherein unencumbered stood at Rs.59.52 crore as on 31st March 2024. Further, the average fund based bank limit Utilization in 12 months ended August 2024 stood at 33.33 percent and the non-fund based bank limit utilization in 12 months ended August 2024 stood at 62.99 percent. Acuité believes that the liquidity of the company is likely to remain strong in near to medium term on account of healthy cash accruals against no debt repayments over the medium term.

Outlook: Stable

Acuité believes that the outlook on CTIPL will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or reduction in operating income of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	375.98	379.98
PAT	Rs. Cr.	20.15	21.38
PAT Margin	(%)	5.36	5.63
Total Debt/Tangible Net Worth	Times	0.47	0.79
PBDIT/Interest	Times	6.47	8.74

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

Any other information
None

Applicable Criteria
• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.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
13 Jul 2023	Letter of Credit	Short Term	101.75	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	0.25	ACUITE A- | Negative (Reaffirmed)
15 Jun 2022	Letter of Credit	Short Term	49.75	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	52.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	0.25	ACUITE A- | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.25	Simple	ACUITE A- | Stable | Reaffirmed | Negative to Stable
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	101.75	Simple	ACUITE A2+ | Reaffirmed

Contacts

Mohit Jain Senior Vice President-Rating Operations Archita Sharma Associate Analyst-Rating Operations	**Contact details exclusively for investors and lenders** Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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.