

Press Release
KANSAL TIMBER STORE
September 16, 2024
Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Ter
Bank Loan Ratings	14.00	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	8.00	-	ACUITE A4 Assigned
Total Outstanding Quantum (Rs. Cr)	22.00	-	-

Rating Rationale

Acuite has assigned its long term rating of 'ACUITE BB-' (read as ACUITE double B minus) and short term rating of 'ACUITE A4' (read as ACUITE A four) on the bank facilities of Rs.22.00 Crore of Kansal Timber Store (KTS). The outlook is 'Stable'.

Rationale for Rating

The assigned rating reflects the extensive experience of KTS's proprietor in the timber industry and the improvement in the scale of operations of the firm on y-o-y basis along with stable margins. However, the above mentioned strengths are partly off-set by the average financial risk profile reflected by high gearing which stood at 8.99 times as on 31st March 2024 (P). Also, the firm is exposed to intensive working capital requirements along with susceptibility of margins to changes in government policies.

About the Company

New Delhi – Based, Kansal Timber Store was incorporated in 2011. The firm is involved in providing Quality Timber and Wood Products. The proprietor of the company is Mr. Anuj Kumar Kansal. They offer a wide selection of timber, including Teak Logs, Pine Wood, Sawm Timber, moulding - margin, hardwoods, and softwoods, catering to both residential and commercial needs.

Unsupported Rating

Not applicable.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Kansal Timber Store to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

The firm has a long track record of over a decade in providing Quality Timber and Wood Products with an established track record of operations. Over the years, the firm has been able to establish healthy relationship with both its customers and suppliers. Currently the firm is managed by Mr. Anuj Kumar Kansal, who has been associated with this industry for over a decade.

Improvement in the scale of operations

The firm has witnessed turnover of Rs.91.52 Crore in FY24(P) against Rs.68.66 Crore in FY23. In FY24(P), the firm has shown an improvement by approximately 33% as compared to previous year. The increase in the turnover is driven by the escalated prices of wood and the turnover of the firm is the combination of trading and manufacturing segment. Further, the EBITDA margin and PAT margin of the firm stood at 2.78% and 0.95% respectively in FY24(P) against 3.16% and 1.03% respectively in FY23. Further, the firm has already achieved revenues of Rs.31.48 Crore in last four months ending July 2024. Going forward, it is expected that there will be an improvement in the scale of operations along with improved margins as firm is focusing more upon pinewood than sawn wood which is likely to fetch better margins for the firm in near to medium term.

Weaknesses

Below average Financial Risk Profile

The financial risk profile of the firm is below average, marked by high gearing and moderate debt protection metrics. The tangible net-worth of the firm stood at Rs.2.68 Crore as on 31st March 2024 (P) against Rs.2.21 Crore as on 31st March 2023. The increase in the net-worth is due to the accretion of profits to reserves. The total debt of the firm stood at Rs.24.08 Crore as on 31st March 2024 (P) against Rs.20.73 Crore as on 31st March 2023. The gearing profile of the firm is high which stood at 8.99 times as on 31st March 2024 (P) against 9.39 times as on 31st March 2023. However, the coverage indicators of the firm are comfortable reflected by interest coverage ratio and debt service coverage ratio which stood at 1.59 times for both in FY24(P) against 1.57 times for both in FY23. The TOL/TNW ratio of the firm is also high 13.44 times as on 31st March 2024 (P) against 13.74 times as on 31st March 2023 along with Debt-EBITDA which stood at 9.45 times as on 31st March 2024 (P) against 9.51 times as on 31st March 2023. Acuite believes that financial risk profile of the firm is expected to remain in the same range in near to medium term.

Working capital Intensive operations

The working capital operations of the firm is intensive marked by GCA days which stood at 149 days as on 31st March 2024 (P) against 167 days as on 31st March 2023. The inventory and debtor days of the firm stood at 87 days and 57 days respectively as on 31st March 2024 (P) against 74 days and 88 days respectively as on 31st March 2023. The firm holds inventory for almost 90 days which includes the processing time of turning raw material into finished product as per the requirements of clients. Further, the firm extends debtor period for almost 60 days to 90 days. On the other hand, the creditor days of the firm stood at 48 days as on 31st March 2024 (P) against 53 days as on 31st March 2023. The creditor period is likely to remain on the lower side on an account of the advance payment made to the suppliers to procure raw material which takes time period of almost 60 days-90 days to reach ports. Acuite believes that working capital operations of the firm is expected to remain intensive in near to medium term.

Rating Sensitivities

- Substantial improvement in the scale of operations.
- Improvement in the profitability.
- Improvement in capital structure.

Liquidity Position

Adequate

The liquidity profile of the firm is adequate. The firm has generated net cash accruals of Rs.0.95 Crore as on 31st March 2024 (P) against no debt repayment obligations in same period. Going forward, the firm is expected to generate net cash accruals in the same range against no debt repayment obligation in near to medium term. The current ratio of the firm stood at 1.32 times as on 31st March 2024 (P) against 1.34 times as on 31st March 2023. The cash and bank of the firm stood at Rs.0.05 Crore as on 31st March 2024 (P). Further, the average bank limit utilization for the fund based facilities stood at 84.58% in last eleven months ending July 2024 and average non-fund based bank limit utilization stood at 76% in last eleven months ending

July 2024. Acuite believes that liquidity profile of the firm is expected to improve in near to medium term in the absence of any debt obligations.

Outlook: Stable

Acuité believes that KTS will continue to maintain a 'Stable' outlook over the medium term due to its experienced management and established track record along with improved operational profile. The outlook may be revised to 'Positive', in case of higher than-expected revenues and profitability, while improving its capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case KTS registers lower-than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure leads to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	91.52	68.66
PAT	Rs. Cr.	0.87	0.71
PAT Margin	(%)	0.95	1.03
Total Debt/Tangible Net Worth	Times	8.99	9.39
PBDIT/Interest	Times	1.59	1.57

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

None

Any other information

None.

Applicable Criteria

- 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>
- Trading Entities: <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 :

Not applicable.

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.00	ACUITE BB- Stable Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE A4 Assigned

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About Acuité Ratings & Research

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