Rating Rationale

Dembla Timber Co Private Limited **20th March 2019**

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 27.70 Crores of Dembla Timber Co Private Limited.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit Limit	**3.00**	**Long Term**	**BWR BB-** **(Pronounced as BWR Double B Minus)**
Non Fund Based Letter of Credit Credit Exposure Limit (Forward Contract)	**30.00** **0.70**	**Short Term**	**BWR A4** **(Pronounced as BWR Single A Four)**
Total	**Rs 27.70**Crores (INR Twenty Seven Crores Seventy Lakhs Rupees Only)**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
** Total Max Limit is Rs 27.70 Crores.

Rating Assigned:

BWR has assigned Long Term Rating of BWR BB- and Short Term Rating of BWR A4 for the bank loan facilities of Dembla Timber Co Pvt Ltd ('the Company')

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company's audited financial results upto FY18, publicly available information and information/clarifications provided by the Company's management.

The rating draws strength from the experienced promoters and long track record of business from last 40 years in timber business, Satisfactory current ratio, and Improvement in revenues. However, the rating is constrained by Weak Debt Service Indicators, and High Gearing level.Going forward, ability of the Company to improve its Debt Service Indicators, Improvement in their profitability margins, gearing level and maintain their current ratio level would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

1. **Experienced Promoters and Long Track Record of Business:** The promoters of the company has rich experience of more than 40 years in the same line of business. The Company is engaged in processing of Teak wood. The company has track record of business for more than 5 years in the business that helps to maintain a better relation with their customers.
2. **Satisfactory Current Ratio :** The company has satisfactory current ratio of 1.44 Times in FY18. It has improved from 1.37 Times in FY17.
3. **Improvement in Revenues:** The company revenues has improved from Rs 44.37 crores in FY17 to Rs 52.05 crores in FY18. The company has achieved revenues of Rs 42.31 crores as on December 18 against the projections of Rs 54.55 crores in FY19 (Projections).

Credit Weakness:

1. **Weak Debt Service Indicators :** The company has weak debt service indicators with Interest Service Coverage Ratio of 0.79 Times and Debt Service Coverage Ratio of 1.13 Times in FY18.
2. **High Gearing Level :** The company has high gearing level with TOL/TNW of 3.78 Times in FY18.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Support from Holding/Subsidiary Company:

The company has no sister concerns/subsidiary concerns.

Liquidity

The Company has Cash & Bank Balances of Rs 4.01 crores in FY18. Current ratio was at 1.44 times in FY18. The long term borrowings include unsecured loan and car loan of Rs.0.09 cr in FY18.The conversion cycle has been 61 days in FY18 due to Moderate days Receivables and Payables. Average utilization of o.d limit from (August- January) is almost 100%.The Company ISCR at 0.79 times and Debt Service Coverage Ratio of 1.13 Times as on March 31 2018.

Rating Outlook: *Stable*

BWR believes the **Dembla Timber Co Private Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Dembla Timber Co Private Limited is established in 2013 are Kandla & Delhi based saw millers, traders and stockists of timber. The company is engaged in purchasing and processing of Malaysian and New Zealand Teakwood. The company is currently managed by Mr Subhash Dembla and Mr Mahinder Dembla. The company has its office located at NewDelhi.

Company Financial Performance

Total operating income (TOI) of the Company has improved from Rs 44.37 Cr in FY17 to Rs 52.05 Cr. in FY18. PAT has Improved from Rs 0.35 Cr in FY17 to Rs. 0.46 Cr in FY18.

Key Financial Indicators

Key Parameters	**Units**	**FY18 (A)**	**FY17 (A)**
Result Type			
Operating Revenue	₹ Cr	52.05	44.37
EBITDA	₹ Cr	1.02	1.49
PAT	₹ Cr	0.46	0.35
Tangible Net worth	₹ Cr	6.09	5.63

TOL:TNW	Times	3.78	3.61
Current Ratio	Times	1.44	1.37

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
	Fund Based Cash Credit Limit	Long Term	3.00	**BWR BB-** (Pronounced as BWR Double B Minus) Outlook: Stable	**NA**	**NA**	**NA**
	Non Fund Based Letter of Credit Credit Exposure Limit	Short Term	30.00 0.70	**BWR A4** (Pronounced as BWR Single A Four)			
	Total		**27.70**	**Twenty Seven Crores Seventy Lakhs ₹ Only**			

*** Total Max limit is of Rs 27.70 crs**

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

Any other information : Nil

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Trading Entities

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.
BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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