

## RATING RATIONALE

17 Jan 2020

### Kushal Timber Pvt Ltd

**Brickwork Ratings upgrades the long term rating, reaffirms the short term rating and removes the suffix, issuer did not cooperate, for the Bank Loan Facilities of Rs. 39 crs of Kushal Timber Pvt Ltd.**

#### Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (04 Dec 2019)	Present
Fund Based	4.00	6.00	Long Term	BWR B+ (Stable) Issuer did not Cooperate#	BWR BB (Stable) (Upgrade)
Non Fund Based	35.00	33.00	Short Term	BWR A4 Issuer did not Cooperate#	BWR A4 (Reaffirm)
<b>Total#</b>	<b>39.00</b>	<b>39.00</b>	<b>INR Thirty Nine crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I

# Issuer did not cooperate. Based on best available information

## RATING ACTION / OUTLOOK

Upgrade in the ratings of Kushal Timber Pvt Ltd. (KTPL or 'the company') factors in the improvement in scale of operations and interest coverage ratio despite low profit margins. Due to adequate orders inflow and capacity utilisation, total revenues of the company have improved by almost 28% between FY17 (last rating) and FY19. Revenues of the company were Rs. 60.3 crs, Rs.72.22 crs and Rs.77.16 crs during FY17, FY18 and FY19 respectively. During the current year, the company has recorded revenues of Rs.53.60 crs during 8MFY20 against full year projections of Rs.80 crs. ISCR has improved from 1.93x in FY18 to 2.83x in FY19. Profit margins of the business are low. Operating profit margin has declined from 2.62% in FY18 to 2.32% in FY19. Net profit margin has been 0.62% and 0.61% in FY18 and FY19 respectively.

#### Outlook: Stable

BWR believes the **Kushal Timber Pvt Ltd.**'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

## KEY RATING DRIVERS

### Credit Strengths

- Experienced promoters: Kushal Timber Pvt Ltd was promoted by Shri Anant Ram Aggarwal in 2003. The company took over the business from “Aggarwal Timber Merchants” which was started by Shri Ram Kishan Aggarwal, father of Shri Anant Ram Aggarwal. The family of promoters has been in the business for the last 25 years and is now being joined by the next generation as well.
- Diversified Client base: The company’s products are supplied to consumers primarily in the states of Maharashtra, Jammu & Kashmir, Gujarat and New Delhi.

### Credit Concerns:

- (1) Forex risks: The company imports its raw material from Europe, primarily from Germany, Australia and New Zealand which exposes the company to unhedged foreign exchange fluctuation risks.
- (2) Fragmented and unorganized market: Timber industry in India is characterised by the presence of a large number of small and medium players leading to price competitiveness and reduced suppliers’ bargaining power.
- (3) Other business risks: High reliance on imports due to inherent nature of business and overall downturn in the building and construction sectors, which are major consumers of the products dealt in by the company, are few of the other key business risks.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

### RATING SENSITIVITIES

Rating would be upgraded in case of at least 25% improvement in operating revenues, 50% improvement in net worth position and improvement in profit margins by at least 20%. Increase in long term bank borrowings should be supported by adequate profits so as to improve the Debt coverage ratio upto at least 1.50x.

The Ratings would be downgraded in case of stagnant revenues, further deterioration in profit margins and any deterioration in financial risk profile as indicated by Gearing (Total Debt/TNW and TOL/TNW ratios) and Debt Coverage metrics (DSCR and ISCR).

### LIQUIDITY POSITION : Adequate

Liquidity is comfortable with interest coverage ratio of 2.83x during FY19 and positive operating cash flows of Rs.5.52 crs during FY19. Unsecured loans of Rs.3.29 crs by directors and their relatives are outstanding as on 31st March 2019 and are proposed to be retained in business at least for the next two years as per projections submitted to BWR.

## COMPANY PROFILE

Kushal Timber Pvt Ltd., incorporated on 20 June 2003 with its current registered office at Plot No. 1, Main Rohtak Road, Opp. Tempo Stand, Swaran Park, Mundka, Nangloi, New Delhi, is engaged in importing, processing and trading of wooden and timber logs. Processing plant is located in Gandhidham, Gujarat with a processing capacity of 10,000 cubic metres of lumber per month. Anant Ram Aggarwal, Manju Garg and Kushal Aggarwal are the directors in the company.

## KEY FINANCIAL INDICATORS

Key Parameters	Units	2018	2019
Operating Revenue	₹ Cr	72.22	77.16
EBITDA	₹ Cr	1.89	1.79
PAT	₹ Cr	0.45	0.47
Tangible Net worth (Analysed)	₹ Cr	10.88	11.21
Total Debt/Tangible Net worth	Times	3.00	0.49
Current Ratio	Times	1.82	1.50

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY :** Crisil BB-/A4+ (Suspended) for Rs.30 crs in March 2016

## RATING HISTORY (Including withdrawn and suspended)

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Cr)	Rating	04 Dec 2019	09 Sept 2019	06 Sept 2018
1.	Fund Based	Long Term	6.00	BWR BB (Stable)	BWR B+ Stable Issuer did not Cooperate*	Rating not Reviewed Advisory	BWR BB Stable
2.	Non Fund Based	Short Term	33.00	BWR A4	BWR A4 Issuer did not Cooperate*		BWR A4+
	<b>Total</b>		<b>39.00</b>	<b>INR Thirty Nine crores Only</b>			

\*Issuer did not Cooperate. Based on the best available information.

## ANNEXURE I

### Kushal Timber Pvt Ltd Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term {(₹ Cr)}	Total (₹ Cr)
1	Indian Bank, Peeragarhi, New Delhi	Cash Credit	6.00	NIL	6.00
2		Letter of Credit	NIL	33.00	33.00
<b>TOTAL</b>			6.00	33.00	39.00

**Total Rupees Thirty Nine crores only.**

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Manufacturing Companies](#)

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