

December 10, 2015

CARE ASSIGNS 'CARE B/CARE A4' RATING TO THE BANK FACILITIES OF DEEP TIMBERS PRIVATE LIMITED

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long term Bank Facilities	3.00	CARE B (SINGLE B)	Assigned
Short term Bank Facilities	7.50	CARE A4 (A FOUR)	Assigned
Total Facilities	10.50 (Rupees Ten crore and Fifty Lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Deep Timbers Private Limited (DTPL) are primarily constrained by its modest scale of operation coupled with weak financial risk profile characterized by low profitability margins, highly leveraged capital structure and weak debt coverage indicators. The ratings are further constrained by susceptibility to fluctuation in log prices and government regulations, foreign exchange fluctuation risk and fragmented and competitive nature of the industry.

The rating constraints are partially offset by experienced promoters, location advantage, growing scale of operations and moderate operating cycle.

Going forward, ability of the company to increase its scale of operations while improving profitability margins and capital structure and to manage foreign exchange rate fluctuations shall be the key rating sensitivities.

Background

Deep Timbers Pvt. Ltd. (DTPL) was incorporated in 2009 and is managed by Mr Kamal Deep Garg, Mr Pradeep Garg and Mr Chander Shekhar Garg. The company commenced its operations in December, 2008. DTPL is engaged in trading and sawing of timber in the form of timber blocks. The company has its trading cum processing facility located at Gandhidham, Gujrat. The facility has an installed capacity to process 2000 cubic meters per month of timber blocks. The company imports timber wood from Malaysia, Singapore etc. and the finished products i.e. timber blocks are sold domestically. Furthermore, the company sells its products to wholesalers and retailers in Delhi and also sells on high seas basis which forms around 10% of the total revenue. The company has one associate concern namely Deep Lumbers Pvt. Ltd. (DLPL; rated CARE B/ CARE A4) which is engaged in a similar line of business since August 2013.

In FY15 (refer to the period April 1 to March 31), DTPL has achieved a total operating income (TOI) of Rs.77.31 crore with PBILDT and profit after tax (PAT) of Rs.0.88 crore and Rs.0.13 crore respectively, as against TOI of Rs.57.01 crore with PBILDT and PAT of Rs.0.69 crore and Rs.0.13 crore respectively, in FY14. In H1FY16 (refers to the period April 01 to September 30) the company achieved TOI of Rs.36.61 crore.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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