Gupta Timbertrader Private Limited

November 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	10.00	CARE BB-; Stable	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Short Term Bank Facilities	44.00 (Enhanced from 26.00)	CARE A4	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed

Details of instruments/facilities in Annexure-1.

The ratings previously assigned to the bank facilities of Gupta Timbertrader Private Limited (GTPL) were denoted as CARE BB-; Stable/CARE A4; ISSUER NOT COOPERATING; Since, the company did not provide the requisite information for monitoring the ratings. Further, in line with the extant SEBI guidelines, CARE Ratings Limited (CARE Ratings) had reviewed the ratings on the basis of the best available information. However, the company has now submitted the requisite information to monitor the ratings and CARE Ratings has carried out a full review of the ratings and the ratings stands at 'CARE BB-; Stable/ CARE A4'.

Rationale and key rating drivers

The ratings assigned to the bank facilities of GTPL are primarily constrained on account of modest scale of operations, low profitability margins and leveraged capital structure. Further, the ratings also factors in risk associated with working capital-intensive nature of operations, foreign exchange fluctuation risk and its presence in a highly competition nature of industry. However, the ratings derive comfort from experienced management coupled with long track record of operations, and location advantage.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Consistent improvement in scale of operations as marked by the total operating income (TOI) of above ₹120.00 crore on along with PBILDT margin above 4.00%.
- Improvement in the capital structure of the firm as marked by overall gearing ratio below 2.60x.
- Improvement liquidity position of the company as marked by the improvement in collection period below 70 days on a sustained basis.

Negative factors

- Decline in total operating income below ₹85 crores with moderation in profitability margins as marked by PBILDT margin of below 2.00% on a sustained basis.
- Any significant deterioration in the capital structure of the company as marked by the overall gearing above 4.00x.
- Significant increase in average collection period above 125 days on a sustained basis, resulting deterioration in working capital cycle & liquidity position.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the company is likely to maintain its operational & financial risk profile over the medium term.

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations and low profitability margins: GTPL's total operating income stood modest, however moderated by ~8% during FY24 (refers to the period April 01 to March 31) and stood at ₹89.66 crore (PY: ₹97.95 crore) because the company was unable to fulfil some of its orders due to rising prices, and a few orders were delayed. Additionally, the fluctuating scale limits the company's financial flexibility during times of stress and prevents it from benefiting from economies of scale. The company reported sales of ₹75 crores till October 31, 2024. PBILDT (Profit Before Interest, Lease, Depreciation, and Tax) margin

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

of the company improved marginally and stood at 3.94% in FY24 (PY: 2.93%) whereas the PAT (Profit After Tax) margin remains stable with a slight improvement stood at 0.66% in FY24 (PY: 0.64%). The profitability margins of the company have been historically on the lower side owing to low value addition nature and highly competitive nature of industry. Further, high interest cost restricts the net profitability of the company. Going forward, the company is expecting improvement in its operational performance backed by healthy demand.

Leveraged capital structure: The company's capital structure remained leveraged, with the overall gearing ratio (including Acceptances/Letter of Credit backed Creditors) moderating to 3.42x as of March 31, 2024, from 2.87x on March 31, 2023. This was primarily due to higher working capital borrowings and LC-backed creditors. Due to low profitability margins and increased interest costs from higher working capital borrowings, the company's debt coverage indicators stood weak, with the interest coverage ratio deteriorating to 1.42x in FY24 from 1.47x in FY23. The capital structure is expected to remain leveraged in near to medium term.

Working capital intensive nature of operations: The operations of the company remain working capital intensive in nature as marked by operating cycle of 65 days for FY24 on account of elongated debtors and creditors period. The company is required to maintain adequate inventory of traded goods of around 2-2.5 months on account of high lead time for procurement and to cater the immediate demands of its customers. Further, being in a highly competitive business, the company gives extended credit period of around 100-145 days. The company had high payable period due to high proportion of LC-backed creditors since the company purchases mainly through imports backed by LC (normally up to 180 days). The high working capital requirements were met largely through bank borrowings which resulted in higher utilization of working capital limits. Going forward, the operating cycle is expected to remain elongated.

Foreign exchange fluctuation risk: GTPL meets ~75% in FY24 of its procurement through imports from countries such as New Zealand, Germany, Australia, Ukraine, Austria among others. However, the traded goods are completely sold in the domestic market. With initial cash outlay for procurement in foreign currency and inflows in domestic currency, the company is exposed to the fluctuation in foreign exchange rates. However, the company has a policy to hedge 30%-40% of its foreign currency payable which still exposes it to any sharp depreciation in the value of rupee against foreign currency for the uncovered portion. Any impact owing to sharp movement in the foreign exchange rates having adverse impact on the profitability of the company will remain a key monitorable.

Presence in a highly competitive nature of industry: Timber trading business is characterized by high volumes and low margins. The timber trading sector is highly competitive, comprising a large number of players in the organized segment as a result of low entry barriers. This results in intense competition which has a cascading effect on the player's margins.

Key strengths

Experienced management coupled with long track record of operations: GTPL is a family run business. Anil Kumar Gupta, Arun Gupta, and Atul Gupta are the directors of the company, and collectively look after the overall operations of the company. Anil Kumar Gupta is graduate and has accumulated vast experience of more than two decades in trading and processing industry through his association with this entity. He is ably supported by other directors of the company namely, Arun Gupta, and Atul Gupta who holds experience of more than one decade in trading and processing industry through their association with the entity. The company is having a considerable track record in this business which has resulted in long term relationships with both suppliers and customers.

Location advantage: The company has warehouse in Kutch, Gujarat to supply the plywood, boards to Northern India. Proximity of the company's warehouse to the port of Kandla reduces the logistics issues associated with wood, which is a bulky commodity and offers the advantage of lower freight costs.

Liquidity: Stretched

The liquidity position of the company remains stretched characterized by tight cushion in accruals against the repayment obligations. The company has generated GCA (Gross Cash Accruals) of ₹1.15 crores during FY24 and is expected to generate GCA of around ₹1.95 crore for FY25 as against repayment obligations of ₹1.42 crore. Further, the average working capital utilization remains ~90-95%. The company's liquidity profile remains weak as marked by the cash and bank balance of ₹0.02 crores as on March 31, 2024.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Financial Ratios – Non financial Sector]
[Short Term Instruments]
[Wholesale Trading]

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Forest Materials	Paper, Forest & Jute Products	Forest Products

Delhi based GTPL was established in 1976 as a proprietorship firm by Rajender Prasad Gupta. Later in November 2010, it gets converted into Private limited company. The company is currently managed by Anil Kumar Gupta, Arun Gupta, and Atul Gupta. The company is engaged in the trading and processing of timber wood logs. The procurement of timber logs is mainly in the form of imports (75% in FY24) from New Zealand, Germany, Australia, Ukraine, Austria among others and rest are procured from manufacturers based in Gujarat and Haryana. The processing facility of the company is located at Kutch, Gujarat. The company sells its products to plywood manufacturing companies and wholesalers based in PAN India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	7MFY25 (UA)
Total operating income	97.95	89.66	75.00
PBILDT	2.87	3.53	NA
PAT	0.63	0.59	NA
Overall gearing (times)	2.87	3.42	NA
Interest coverage (times)	1.47	1.42	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	10.00	CARE BB-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	-	44.00	CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	10.00	CARE BB-; Stable	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (13-May-24)	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (24-Feb-23)	1)CARE BB-; Stable (02-Mar-22)
2	Non-fund-based - ST-Letter of credit	ST	44.00	CARE A4	1)CARE A4; ISSUER NOT COOPERATING* (13-May-24)	-	1)CARE A4; ISSUER NOT COOPERATING* (24-Feb-23)	1)CARE A4 (02-Mar-22)

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: 120-4452000 E-mail: puneet.kansal@careedge.in Rajan Sukhija Assistant Director **CARE Ratings Limited** Phone: 91-120-4452000 E-mail: Rajan.Sukhija@careedge.in Kritika Goyal Analyst **CARE Ratings Limited** E-mail: kritika.goyal@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information, please visit www.careedge.in