



## Press Release

**Tirupati Tradelinks Private Limited**

**March 16, 2021**

### Ratings

Sl. No.	Facilities	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities- Fund Based	2.00	IVR BB/Stable Outlook (Pronounced as IVR Double B with Stable Outlook)	Assigned
2.	Short Term Bank Facilities- Non-Fund Based	13.00	IVR A4/Stable Outlook (Pronounced as IVR Single A Four)	Assigned
	<b>Total</b>	<b>15.00</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The ratings assigned to the bank facilities of Tirupati Tradelinks Pvt Ltd (TTPL) derive strength from the experienced management and strong business linkages, reputed customer base, favourable manufacturing location, and efficient working capital management. However, the ratings are constrained by modest business risk profile coupled with thin profitability margins, moderate financial risk profile, foreign exchange fluctuation risk, susceptibility to fluctuation in log prices and government regulations, and presence in a highly fragmented timber sector with low entry barriers and high competition.

### Key Rating Sensitivities:

#### Upward Factor:

- Substantial and sustainable increase in revenue and profitability.
- Prudent working capital management.

#### Downward factor:

- Steep decline in revenue, leading to drop in cash accrual and deteriorating debt metrics.
- Sizeable stretch in the working capital cycle.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

**Experienced management & Strong Business linkages:** The operations of TTPL are currently being managed by Mr. Suresh Kumar Jajodia, Mr. Pratik Jajodia and Mr. Nikhil Jajodia. Mr. Suresh Kumar Jajodia is a graduate by qualification and has an experience of more than four decades in the timber industry through his association with this entity. Prior to this, he has worked in his individual capacity. He manages the overall operations of the company. Both Mr. Pratik Jajodia and Mr. Nikhil Jajodia have an experience of around eight years in manufacturing and trading of softwood timber, pinewood, logs, wood and wood products like plywood etc through their association with this entity. Mr. Pratik Jajodia manages the accounts for the company while, Mr. Nikhil Jajodia looks after the production function. The directors have a considerable track record in the industry which has resulted in long term relationships with suppliers and customers. The group has strong business linkage reflected through investments in Tirupati Reels Private Limited, which is jointly owned by leading cable manufacturer Polycab India Limited.

**Reputed Customer Base:** The company caters to some reputed names in its customer list like (Bharat Heavy Electricals Limited, Bhopal), construction companies (Larsen & Toubro, Montecarlo Limited etc.), private entities (Gujarat Borosil Limited), etc. The inclusion of government entities adds to the credibility of debtors and reduces the chances of debtors turning bad and non-recoverable.

**Favourable manufacturing location:** TTPL operates its business from Gandhidham, Gujarat which is in close proximity to major hubs for timber, leading to its easy availability. The presence of TTPL in vicinity to the wood processing units gives it an advantage over competitors in terms of easy availability of the timber as-well-as favourable pricing terms. The favourable location also puts the company in a position to cut on the freight cost.

**Efficient working capital management:** The operations of the company stood strong marked by an operating cycle of 27 days during FY 2020. The company has maintained



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adequate inventory of plywood which stood at around 60 days in FY 2020 on account of coping up with the lead time for procurement and for the company to meet the immediate demands of its customers. Further, working capital cycle of the company is expected to smoothen more on account of timely realization period from customers.

### Key Rating Weaknesses

**Modest business risk profile coupled with thin profitability margins:** The scale of operations of the company stood moderate as marked by total operating income of Rs. 51.01 crore in FY 2020. The small scale limits the company's financial flexibility in times of stress and deprives it from scale benefits. In 9MFY21, the company has achieved a total operating income of Rs. 40.10 crore, wherein the company is targeting TOI of Rs. ~56 crore in FY21. Moreover, the profitability margins of the company as marked by EBITDA margin and PAT margin stood thin at 2.84% and 0.74% respectively in FY 2020 as against 2.94% and 1.11% respectively in FY 2019. The slight deterioration in EBITDA margin and PAT margin was mainly on account of higher increase in raw material cost (mainly comprising of wooden logs) in comparison to an increase in sale of the products and decrease in non-operating income.

**Moderate financial risk profile:** Due to tangible net worth of Rs. 8.75 crore in FY 2020 supported by subordinated unsecured loans and reduction in long-term debt the adjusted gearing levels had eased marked by overall gearing ratio and TOL/ATNW of 0.30x and 2.35x respectively in FY 2020 as against 0.59x and 2.94x respectively in FY 2019. Further, Debt protection metrics marked interest coverage and DSCR has been average at 1.49x and 1.04x respectively in FY 2020 as against 1.32x and 1.19x respectively in FY 2019.

**Foreign exchange fluctuation risk:** TTPL meets its majority of its procurement in the form of imports. With initial outlay in foreign currency and inflows in domestic currency, the firm is exposed to volatility in foreign exchange rates, the company's profitability margins are exposed to volatility in foreign exchange.



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**Susceptibility to fluctuation in log prices and government regulations:** TTPL imports majority of the wooden logs requirement (around 94% of total purchases) from New Zealand, Germany, Hong Kong, Singapore, USA, and Romania. This exposes the company to adverse changes in the government policies in these countries with respect to wooden log export. Earnings are also susceptible to the regulatory policies relating to the tariff barriers (import duty, custom duty), non-tariff barriers (restriction on quantity of imports) anti-dumping duties, international freight rates and port charges etc.

**Presence in a highly fragmented timber sector with low entry barriers and high competition:** The major income of TTPL comes from processing of timber logs and markets them to various retailers and traders with limited value addition to the product. The business is characterized by high volumes and low margins. The sector is highly competitive, comprising a large number of players in the organized segment as a result of low entry barriers. TTPL's warehouse is located in the timber cluster of Gandhidham, Gujarat which has about 1,500 units engaged in the processing of wood and hence, stiff competition from large number of players.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Sector

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity - Adequate**

Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs. 2.5 crore. Its bank limits are utilized to the extent of 38% during the last 12 months period ending January 2021, supported by above unity current ratio.



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### About the Entity

Tirupati Tradelinks Pvt Ltd (TTPL) is a New Delhi-based closely held private limited company which was incorporated in March, 1997. The company is currently being managed by Mr. Suresh Kumar Jajodia, Mr. Pratik Jajodia and Mr. Nikhil Jajodia. The company is engaged in manufacturing of wood and wooden products mainly plywood. It is also engaged in trading of softwood timber, pinewood, timber logs and plywood. Tirupati Reels Private Limited, incorporated in January, 2015, is an associate concern of TTPL and is engaged in manufacturing of cable drums.

### Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2020	31-03-2019
	Audited	Audited
Total Operating Income	51.01	46.49
EBITDA	1.45	1.35
PAT	0.38	0.52
Total Debt	2.66	4.76
Adjusted Tangible Net Worth	8.75	8.10
EBITDA Margin (%)	2.84	2.90
PAT Margin (%)	0.74	1.11
Overall Gearing Ratio (x)	0.30	0.59

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

### Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	OCC	Long Term Fund Based	2.00	IVR BB/Stable	-	-	-
2.	ILC/FLC	Short Term Non-Fund Based	13.00	IVR A4	-	-	-



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**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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**About Infomerics:**

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – OCC	-	-	-	2.00	IVR BB/Stable
Short Term Bank Facility- ILC/FLC	-	-	-	13.00	IVR A4