



Press Release

Jyoti Timbers

January 30, 2024

Ratings

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	7.43	IVR BB/Stable (IVR Double B with Stable Outlook)	Assigned	Simple
Short Term Bank Facility	21.00	IVR A4 (IVR A Four)	Assigned	Simple
Total	28.43	Rupees Twenty-Eight Crore and Forty-Three Lakh Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long-term rating of IVR BB with stable outlook and short term rating of IVR A4 for the bank loan facilities of Jyoti Timbers (JT).

The rating draws comfort from its Experienced promoters, Established relationship with customers and geographically diversified operations and Average debt protection matrix. However, these strengths are partially offset by leveraged capital structure with average debt protection metrics, lower scale of operations with thin profitability margins, government regulations on the timber processing industry and exposure to intense competition.

IVR has principally relied on the standalone audited financial results of Jyoti Timbers up to 31 March 2023, and projected financials for FY24, FY25, FY26 and publicly available information/clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors



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- A significant improvement in revenue along with improvement in profitability margins.
- Improvement in liquidity through increase in cash accruals and efficient working capital management.

Downward Factors

- Moderation in capital structure with deterioration in overall gearing.
- Substantial fall in revenue resulting in dip in the profitability
- Further elongation of operating cycle.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Experienced Partners & long track record of the Firm in timber industry:

The partners have long standing experience in the timber industry. Mr. Sanjay Jaju and Mr. Som Dutt Sharma are the partners of the firm, and they collectively look after the overall operations of the firm. Mr. Sanjay Jaju has accumulated vast experience of more than two decades in this business through his association with this entity. He is ably supported by Mr. Som Dutt Sharma who holds experience of more than four decades in the industry through his association with the entity and in individual capacity. JT has been operating in this business for more than two decades and has been able to establish healthy relationship with both customers and suppliers..

Established relationship with customers and geographically diversified operations:

The presence in the industry has helped the company to establish healthy relationship with various timber suppliers and customers reflected through repetitive orders from its customers. The firm is having business tie ups with renowned wood supplier from all over the world.

Average Debt Protection Matrix

The firm has an average debt protection matrix. Debt protection metrics were adequate, reflected in interest coverage of 1.61 times & DSCR of 1.62 times with total debt to EBITDA



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ratio of 2.21 times for fiscal year 2023. Financial profile is expected to remain at similar level over the medium term.

B. Key Rating Weaknesses

Leveraged capital structure with average debt protection metrics:

The capital structure of the company remained moderate marked by overall gearing and TOL/TNW at 1.10x and 3.69x respectively as on March 31, 2023 (1.94x and 3.51x respectively as on March 31, 2022). With increase in long term debt level the Total debt to GCA stood at 5.71 years in FY2023 though the interest coverage ratio remained satisfactory at 1.61x in FY2023 (2.64x in FY2022).

Lower scale of Operations with thin profitability Margins:

JT's total operating income have increased with a growth rate of 7% in FY23, from Rs.65.65 crore in FY22 to Rs.75.58 in FY23, on account of pent up the demand from existing customers EBITDA margin of the firm stood at 3.15% in FY23 as against 3.02% in FY22 on account of increase in sales and hence the margins have marginally reduced during the year. Although, due to high cost of production, net margins marginally declined to 1.00% in FY23 from 1.11% in FY22.

Government regulations on the timber processing industry:

According to the Indian Forest Act, 1927 the state government can enact rules to regulate various aspects of forest management such as prescribing the procedure for issuance of a transit pass, setting up of sawmills, sawpits etc. The timber processing industry is highly regulated, and it depends upon the central as well as state government to enact any policies.

Exposure to intense competition:

The timber industry in India is highly fragmented with several unorganized players having small capacities, primarily catering to regional demand due to the economies attached to local transportation. This restricts the growth opportunities for players to expand to new regions and consolidate business. Further, with around 50 per cent of the sales coming from trading it



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further restricts the operating margin. The Company is likely to remain exposed to intense competition in the timber industry.

Analytical Approach: For arriving at the ratings, IVR has analysed Jyoti Timbers's credit profile by considering standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for rating outlook](#)

Liquidity – Stretched

The liquidity profile of JT is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~Rs. 1.30-1.42 crore in FY2024-26 as against debt repayment obligation of ~Rs. 0.14 to Rs.0.99 crore in the same period. Moreover, the company has an adequate current ratio at above 1.05 times. The average working capital utilisation of the company remained moderate at ~60.98% during the past 12 months ended September 2023 indicating adequate liquidity buffer..

About the Company

M/s Jyoti Timbers (JT) was established in June 1997 as a partnership firm. The firm is currently managed by Mr. Sanjay Jaju and Mr. Som Dutt Sharma sharing profit & losses equally. The company is engaged in the processing and trading of timber wood logs. The firm is an importer, supplier, and trader of all kinds of hard wood and soft wood in India & manufacturer of Moulding wood. The products include Teak Wood, Pine Wood, Mirandi Wood, Champ Wood, Carved Wood, and Moulded Wood, which are available in different dimensions meeting various needs. The firm imports material from New Zealand, Africa, Ghana, Burma, and Ivory Coast. The firm is having business tie ups with renowned wood manufacturers from all over the world. The manufacturing unit of the firm is located at Gandhidham (Gujarat) where no statutory permissions / approvals are required from Govt. to carry out such activities. The



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setup of the company at Gandhidham is of large scale where around 100 workers are employed on regular/contract basis and 10 sawing machines, and 40 moulding machines are installed..

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	65.65	75.58
EBITDA	1.99	2.38
PAT	0.73	0.76
Total Debt	8.70	5.26
Tangible Net worth*	5.09	6.01
EBITDA Margin (%)	3.02	3.15
PAT Margin (%)	1.11	1.00
Overall Gearing Ratio (x)	1.94	1.10

*as per Infomerics standards

Status of non-cooperation with previous CRA: CARE Ratings and ACUITE has vide their press release dated October 3rd, 2023 & March 9th, 2023 had put under issuer not cooperating category due to not submission of required information.

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating (January 30 th , 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based	Long Term-	7.43	IVR BB/Stable	-	-	-



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Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating (January 30 th , 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
		Term Loan / Cash credit		(IVR Double B with Stable Outlook)			
2.	Non Fund Based	Short Term-FLC	21.00	IVR A4 (IVR A Four)	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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 Facilities - Term Loan	-	-	December 2024	1.98	IVR BB/Stable Outlook
Long Term Bank Facilities - Cash Credit	-	-	-	5.45	IVR BB/Stable Outlook
Short Term Bank Facilities - FLC	-	-	-	21.00	IVR A4

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Jyoti-Timbers-jan24.pdf>



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Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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