



## Press Release

### The Indian Wood Products Company Limited (TIWPCL)

October 01, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Instruments/Facilities	72.25	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	-	Assigned	<a href="#">Simple</a>
<b>Total</b>	<b>72.25</b> <b>(Seventy-Two Crores and Twenty-Five Lakhs Only)</b>				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

Infomerics Ratings has assigned its rating to the bank facilities of The Indian Wood Products Company Limited (TIWPCL) taking into account its improvement in operational performance, profitability metrics and overall financial risk profile, long track record of operation coupled with experienced management and leading position in katha industry with reputed clientele base. The rating is however constrained by working capital intensive nature of business, volatility in raw material prices, exposure to intense competition and exposure to regulatory risk.

The stable outlook reflects the fact that the Company is going to benefit largely due to its established relationship with the reputed clientele and matured demand profile for katha in India.

#### Key Rating Sensitivities:

##### Upward Factors

- Growth in revenue coupled with improvement in operating profitability and cash accruals on a sustained basis.
- Sustenance of capital structure with improvement in debt protection metrics
- Improvement in operating cycle.



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### Downward Factors

- Significant decline in revenues and/or deterioration in the operating profitability impacting the gross cash accruals
- Moderation in the capital structure with moderation in overall gearing to above 1.5x on a sustained basis and/or moderation in debt protection metrics
- Moderation in liquidity position due to further elongation in operating cycle

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Improvement in operational performance, profitability metrics and overall financial risk profile.**

TIWPCL has shown improvement in scale of operations as envisaged by growth in revenues to Rs.191.74 crore in FY24 [refers to period April 1st, 2023, to March 31st, 2024] from Rs.177.61 crore in FY22. This was along with growth in EBITDA margins to 7.41% in FY24 from 5.06% in FY22 signifying company's strong competitive positioning and hence pricing power. This is also evident in substantial increase in average realization per metric ton to ~ Rs. 5,44,000 in FY24 from ~ Rs. 442,611 in FY22. Further, the Company's financial risk profile remains strong with overall gearing ratio at 1.17x in FY24 compared to 1.21x in FY23. It is to be noted that as the Company is not foreseeing any debt funded capex in medium term and hence this ratio will continue to improve in medium term. Also, the Company's debt protection metrics as envisaged by ISCR & DSCR improved to 1.69x & 1.22x in FY24 respectively from 1.36x and 0.98x in FY22.

- **Long track record of operation coupled with experienced management**

Incorporated in 1919, The Indian Wood Products Company Limited was promoted by Mr. H.N. Gladstone, Mr. H. Bateson, Mr. E.H. Bray of London and others, who started producing Katha from a manufacturing unit at Izatnagar, Bareilly since 1920, Uttar Pradesh, in 1920. TIWPCL came under the control of present promoters (Mohta Family) since early 1980s. At present, Mr. Krishna Kumar Mohta (Chairman) and Mr. Bharat Mohta (CEO) control the entire operations. The current promoters have around four decades of experience in the Katha industry. Mr. Krishna Kumar Mohta, who is Chairman and Managing Director of TIWPCL, along with his son, Mr. Bharat Mohta, and other professional directors have been associated with the company for a long time. This long



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track record of the promoters has helped the company to maintain strong relationships with customers and suppliers.

- **Leading position in Katha industry with reputed clientele base**

TIWPCL is in leading position in katha industry and has created an established and reputed clientele base based on its long-standing presence in the industry. TIWPCL is associated with all recognised brands of paan masala industry, like 'Rajnigandha', 'Vimal' and 'Dilbag'.

### Key Rating Weaknesses

- **Working capital intensive nature of business**

TIWPCL's business is working capital intensive due to its high inventory levels and thus high operating cycle at ~ 192 days in FY24 and receivable days. katha and cutch are derivatives of a special type of timber of khair tree and gambier which is approximately 50% of the final katha product. As being a type of natural produce, it must be procured mainly during post/pre monsoon season and stocked as the timber gets wet in the monsoon season and cannot be used for katha making. This tends to push up inventory levels. As the good quality katha is in great demand the Company must procure best produce and stock it for good quality final product. Also, the process of katha making takes long time (~ 45 days). The combined effect of all these is that the company needs to maintain high inventory levels to meet the market demand.

- **Volatility in raw material prices**

The main products for making katha are khair wood and gambier. As both these products are a natural produce, their prices are volatile in nature. Also, as the gambier is mainly imported by the Company, they are faced with the risk of any adverse movement in forex rates vis a vis Indian rupee. This volatility in raw material prices can make Company's margins vulnerable. As the katha is in high demand the Company is able to pass on some of the costs due to volatile prices to its customers, thus protecting the Company's margins, although competitive pressures limit the extent of the same.



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- **Exposure to intense competition**

The katha industry is intensely competitive due to presence of many unorganised players which impacts the pricing flexibility of the industry participants.

- **Exposure to regulatory risk**

The business of the company is exposed to government regulations as mainly paan masala industry is the end user of katha which is under strict government regulations. Any change in government policies for paan masala products may hamper the business performance of TIWPCL.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

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

**Liquidity – Adequate**

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient gross cash accruals. The pre interest gross cash accruals of the firm stood at Rs. 13.88 Cr. in FY24 as against expected loan obligations of Rs.11.39 crore in FY24. The average working capital utilisation for the past twelve months ended June 2024 remained comfortable at ~ 54%. The current ratio is at comfortable level at 1.45x in FY24. The Company is not projecting any substantial debt funded capex in the medium term. The operating cycle is high at 192 days in FY24 mainly due to the high maintenance of inventory which acts as a hedge against the price fluctuation of raw materials and seasonal considerations of the product.



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### **About the Company**

Incorporated in 1919, The Indian Wood Products Company Ltd (TIWPCL) was promoted by Mr. H.N. Gladstone, Mr. H. Bateson, Mr. E.H. Bbray of London and others, who started producing katha from a manufacturing unit at Izatnagar, Bareilly, Uttar Pradesh. TIWPCL came under the control of present promoters (Mohta Family) since early 1980s. At present, Mr. Krishna Kumar Mohta (Chairman) and Mr. Bharat Mohta (CEO) control the entire operations. TIWPCL is in the business of manufacturing Katha and its by-product Cutch. It has a production capacity of 4,000 metric tons per annum (MTPA) of Katha and 1,350 MTPA of cutch. TIWPCL has its manufacturing facilities in Bareilly, U.P, Jammu and Vadodara , Gujarat.

### **Financials (Standalone):**

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	182.08	191.74
EBITDA	10.28	14.21
PAT	1.38	2.60
Total Debt	74.26	73.30
Tangible Net Worth	61.17	62.77
EBITDA Margin (%)	5.65	7.41
PAT Margin (%)	0.75	1.35
Overall Gearing Ratio (x)	1.21	1.17
Interest Coverage (x)	1.51	1.69

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA: Nil**

**Any other information: None**



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### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Fund Based Bank Facilities – Cash Credit	Long Term	72.25	IVR BBB-/Stable	-	-	-

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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.

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.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs 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/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	72.25	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-IndianWood-oct24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: 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](http://www.infomerics.com).