

Press Release

Sri Rajlakshmi Saw Mill

March 30, 2023



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE B+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	12.50	-	ACUITE A4 Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	14.50	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.14.50 Cr. bank facilities of Sri Rajlakshmi Saw Mills. The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

About the Company

Sri Rajlakshmi Saw Mill (SRSM) established in the year 2003 is a Bangalore based partnership firm engaged into the timber trading business. The firm is currently promoted by Mr. Vinod Patel, Mr. Bharat Patel, Mrs. Aruna Patel and Mrs. Nirmala Patel and it has an operational track record of nearly two decades in the timber industry.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SRSM to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

SRSM established in the year 2003 is engaged in timber trading business and it has an established track record of operations of nearly two decades. It is currently managed by Mr. Vinod Patel with support from other three partners. The partners of the firm have extensive experience in the aforementioned line of business. The long track record of operations and experience of management have helped the firm maintain a healthy relationship with its customers and suppliers.

Acuite believes that SRSM will continue to benefit from extensive experience of its management and established track record of operations.

Moderate financial risk profile

The financial risk profile of the company is moderate marked by moderate net worth, low gearing and average debt protection metrics. The tangible net worth stood moderate at Rs.3.15 crore as on 31 March 2022 as against Rs.2.77 crore as on 31 March, 2021. Total debt of the company stood at Rs.4.26 crore as on 31 March 2022 as against Rs.2.89 crore as on 31 March, 2021. Total debt comprises of long term debt of Rs1.01 crore and USL from directors of Rs.3.25 crore. Gearing (debt-equity) stood low though slightly higher compared to previous year at 1.35 times as on 31 March 2022 as against 1.05 times as on 31 March, 2021. Total outside Liabilities/Total Net Worth (TOL/TNW) also stood high at 2.15 times as on 31 March 2022 as against 3.37 times as on 31 March, 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.03 times as on 31 March 2022. Debt protection metrics of the company is marked comfortable with Interest Coverage ratio at 1.25 times in FY2022. Debt Service Coverage Ratio (DSCR) also stood at 1.25 times in FY2022.

Weaknesses

Declining Sales and profitability

Sri Rajlaxhmi Saw Mills (SRSB) has seen a decline in the revenue by 14.46% on YOY basis. The revenue of the company declined to Rs.11.51 crore in FY2022 from Rs.13.45 crore in FY2021 from Rs.15.49 crore in FY2020. The EBITDA and PAT Margins of the company also recorded a declining trend for the last two years. The EBITDA Margins of the company stood at 4.51 percent in FY2022 as against 5.88 percent in FY2021. The PAT Margins stood at 0.40 percent in FY2022 as against 0.42 percent in FY2021.

Working capital management - Intensive

The working capital requirements of the company is marked intensive though there has been an improvement in the GCA days of the company. The GCA stood at 287 days as on March 31, 2022 improving from 303 days as on March 31, 2021. The improvement in GCA days is on the account of improvement in debtors days to 128 days as on March 31, 2022 from 141 days as on March 31, 2021. The creditors days stood at 88 days as on March 31, 2022 as against 189 days as on March 31, 2021. The inventory days stood at 108 days as on March 31, 2022 as against 105 days as on March 31, 2021.

Highly competitive and fragmented nature of industry

The firm operates in a highly competitive and fragmented industry, characterised by a large number of players mainly on account of low entry barriers. This can have an impact on the profitability margins of the firm. However, the risk is mitigated to an extent due to the long track record of operations.

Rating Sensitivities

Improvement in scale of operations in near to medium term.
Any further deterioration in the working capital cycle.

Material covenants

None

Liquidity Position Stretched

The company's liquidity profile is stretched marked by modest net cash accruals against repayment obligations. The company generated net cash accruals of Rs.0.11 Cr in FY2022. The firm maintains unencumbered cash and bank balances of Rs.1.02 crore as on March 31, 2022. The current ratio of the company stood moderate at 3.60 times as on March 31, 2022 as against 1.73 times as on March 31, 2021

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	11.51	13.45
PAT	Rs. Cr.	0.05	0.06
PAT Margin	(%)	0.40	0.42
Total Debt/Tangible Net Worth	Times	1.35	1.05
PBDIT/Interest	Times	1.25	1.18

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
13 Jan 2022	Cash Credit	Long Term	2.00	ACUITE B+ Stable (Reaffirmed)
	Letter of Credit	Short Term	12.50	ACUITE A4 (Reaffirmed)
21 Oct 2020	Letter of Credit	Short Term	12.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE B+ Stable (Upgraded from ACUITE B)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE B+ Reaffirmed & Withdrawn
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE A4 Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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