

February 02, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	3.50	SMERA B+/ Stable (Assigned)
Cash Credit (proposed)	16.50	SMERA B+/ Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (read as SMERA single B plus) to the abovementioned bank facilities of Ajantha Wood Suppliers (AWS). The outlook is '**Stable**'. The rating is supported by the firm's experienced management, strong revenue growth and reputed clientele. However, the rating is constrained by the firm's high gearing. The rating is also constrained by the firm's exposure to intense competitive pressure.

AWS, established in 2010, is a Karnataka-based partnership firm engaged in trading of wood pulp. AWS benefits from its experienced management. The partners of the firm have around 15 years of experience in timber industry. AWS's revenues have grown at a strong compound annual growth rate (CAGR) of ~92 per cent over the past three years. The firm caters to several reputed customers such as ITC Ltd., Bilt Ballaresha and Andhra Pradesh Paper Mill.

AWS's gearing (debt-to-capital ratio) is high at 4.58 times as on March 31, 2014. The firm operates in an intensely competitive segment of the paper industry.

Outlook: Stable

SMERA believes AWS will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained improvement in profit margins and financial risk profile while maintaining strong revenue growth. The outlook may be revised to 'Negative' in case of significant decline in the firm's revenues or profit margins, or in case of deterioration in the firm's capital structure on account of higher-than-expected debt-funded working capital requirements.

About the firm

AWS, established in 2010, is a Karnataka-based partnership firm promoted by Mr. Ayaz Pasha and Mrs. Ayeesha Tabussum. AWS undertakes trading of wood pulp.

For FY2013-14, AWS reported profit after tax (PAT) of Rs.0.29 crore on operating income of Rs.38.62 crore, as compared with PAT of Rs.0.04 crore on operating income of Rs.16.63 crore in FY2012-13. The firm's net worth stood at Rs.0.65 crore as on March 31, 2014, as compared with Rs.0.35 crore a year earlier.

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