

**May 25, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.00	SMERA B/Stable (Assigned)
Inland/Import Letter of Credit	2.50	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B' (read as SMERA single B)** to the Rs.3.00 crore long-term bank facilities and '**SMERA A4' (read as SMERA A four)** to the Rs.2.50 crore short-term bank facility of Lawrence Saw Mill & Company (LSMC). The outlook is '**Stable**'. The ratings are supported by the firm's experienced management. However, the ratings are constrained by the firm's small-scale operations, working capital-intensive business and significant fluctuation in firm's operating profit margins. The ratings are also constrained by the firm's exposure to intense competition in the timber trading business.

LSMC, established in 2009, is a Tamil Nadu-based proprietorship firm engaged in trading of timber. LSMC benefits from its experienced management. The proprietor of the firm has around a decade of experience in the timber trading business.

LSMC has small-scale operations with operating income of Rs.10.06 crore in FY2013-14. The firm's operations are working capital-intensive with working capital cycle of 160 days, collection period of 86 days and inventory levels of 101 days in FY2013-14. The firm's operating margins are significantly fluctuating in the range of 3-10% for the period of 2010-2014. The firm is exposed to intense competition in the timber trading business.

## **Outlook: Stable**

SMERA believes LSMC 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 strong growth in operating income while achieving sustained improvement in working capital management and stable operating margins. The outlook may be revised to 'Negative' in case of decline in the firm's operating income and profit margins, or in case of deterioration in the firm's working capital management.

## **About the firm**

LSMC, established in 2009, is a Tamil Nadu-based proprietorship firm promoted by Mr. P. Peres. Franklin. LSMC is engaged in import of round timber logs, which are sawn and sized as per the requirements of the customers.

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For FY2013–14, LSMC registered profit after tax (PAT) of Rs.0.29 crore on operating income of Rs.10.06 crore, as compared with PAT of Rs.0.56 crore on operating income of Rs.8.64 crore in FY2012-13. The firm's net worth stood at Rs.3.26 crore as on March 31, 2014, as compared with Rs.2.84 crore a year earlier.

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