SMERA RATINGS LIMITED

Bismillah Timber Private Limited (BTPL)

Rating Rationale

<u>**October 06, 2015**</u>

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit Facilities	**2.00**	**SMERA BB-/Stable (Assigned)**
Letter of Credit	**8.00**	**SMERA A4+ (Assigned)**

SMERA has assigned a long term rating of **'SMERA BB-' (read as SMERA double B minus)** and short term rating of **'SMERA A4+' (read as SMERA A four plus)** to the above mentioned bank facilities of Bismillah Timber Private Limited (BTPL, part of Emperor Group). The outlook is **'Stable'**.

The ratings derives comfort from the established track record of the promoters, its strong sourcing network and moderate financial risk profile marked by comfortable debt protection metrics. These rating strengths are partially offset by exposure of group's profitability to competition in the timber trading industry and foreign exchange fluctuation risk.

For the rating process, SMERA has consolidated the business and financial risk profiles of BTPL and Emperor Timber Trader Private Limited (ETTPL), together referred to as the Emperor Group. This is because both these entities have common management, are in the same line of business and have business and operational synergies.

Outlook: Stable

SMERA believes that the Emperor Group will continue to benefit over the medium term from the promoters extensive experience in the timber trading business. The outlook may be revised to 'Positive', if the group scales up its operations considerably while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in the group's cash accruals or deterioration in its working capital management leading to weakening of liquidity.

Rating sensitivity Factors

- Future capital expenditure and its funding pattern thereof
- Deterioration in working capital management

About the Group

BTPL and ETTPL incorporated in 1997 and 2004, respectively, derives revenues primarily from trading of timber. The group's operations are managed by its promoter Mr. V.M.M. Sharfudeen and Mr. Naushad Ali.

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