

Press Release

Mahalaxmi Saw Mill

April 10, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 12.00 crore bank facilities of Mahalaxmi Saw Mill. The outlook is '**Stable**'.

Mahalaxmi Saw Mill (MSM) was established in 1997. The firm imports timber from Malaysia, Columbia and Latin American countries and sells the same in the domestic market.

Key Rating Drivers

Strengths

- **Long standing experience of promoters in timber trading**

The promoters, Mr. Vasanth B. Patel and Mr. Bhimji S Patel have experience of around two decades in the trading of timber. Over the years, the firm has been able to leverage on the established relationships with major suppliers based in Malaysia, Columbia and Latin American countries.

Weaknesses

- **Moderate scale of operations**

The scale of operations are moderate with marginal improvement in operating income to Rs.29.45 cr in FY2016 from Rs. 24.84 cr in FY2015 on account of increase in customer base.

- **Moderate financial risk profile**

MSM has moderate financial risk profile with gearing (debt to equity ratio) of 0.69 times as on March 31, 2016 as against 0.50 times as on March 31, 2015. The interest coverage ratio (ICR) stood at a low of 1.06 times in FY2016 against 1.11 times in FY2015. The TOL/TNW stood high at 2.92 times as on March 31, 2016 as against 2.44 times in the previous year.

- **Working capital intensive operations**

MSM's operations are working capital intensive. The working capital cycle increased from 54 days in FY2015 to 63 days in FY2016 due to increase in debtors from 123 days in FY2015 to 132 days in FY2016. The Gross current assets (GCA) days stood at 177 as on March 31, 2016 as against 153 as on March 31, 2015.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of Mahalaxmi Saw Mill to arrive at the rating.

Outlook: Stable

SMERA expects MSM to maintain a stable outlook in the medium term owing to the extensive experience of the promoters. However, the financial position is expected to remain moderate over the

medium term on account its working capital intensive operations. The outlook may be revised to 'Positive' in case of improvement in the working capital management (debtors) leading to better financial flexibility and increase in the net worth. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile owing to higher working capital requirements.

About the Rated Entity - Key Financials

The firm reported profit after tax (PAT) of Rs. 0.04 cr on net sales of Rs.29.45 cr in FY2016 as against PAT of Rs.0.06 cr on net sales of Rs.24.84 cr in FY2015. The net worth stood at Rs.3.97 cr as on March 31, 2016 compared to Rs.3.35 cr as on March 31, 2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-Feb-2016	Cash Credit	Long Term	INR 3	SMERA B / Stable
	Letter of Credit	Short Term	INR 9	SMERA A4

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A4

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ABOUT SMERA

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