



SMERA RATINGS LIMITED

Sharda Timber Private Limited (STPL)

Rating Rationale

March 09, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00*	SMERA BB-/Stable (Assigned)
Letter of Credit	28.50#	SMERA A4+ (Assigned)

*Full convertible with Letter of credit to the extent of Rs.2.00 crore

#fully interchangeable with Letter of comfort and Buyer's Credit

SMERA has assigned rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.5.00 crore long term (fund based) bank facility and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.28.50 crore short term (non-fund based) bank facility of Sharda Timber Private Limited (STPL). The outlook is '**Stable**'. The ratings derive comfort from the company's experienced management and healthy relations with customers and suppliers. The ratings also draw support from the efficient working capital cycle and moderate debt protection indicators. However, the aforementioned strengths are partially offset by high leverage (total outside liabilities to total net worth) of 3.47 times in FY2014-15, low profitability and intense competition in the timber industry.

Outlook: Stable

SMERA believes STPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenue while achieving sustained improvement in profit margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or working capital management.

Rating Sensitivity Factor

- Improvement in profitability margins and capital structure

About the Company

The Haryana-based STPL (the erstwhile Sharda Timber Store) was established in 1980 as, a partnership firm and converted to private limited in 2013. Headed by Mr. Ved Prakash Goyal and Mr. Krishan Kumar Goyal, STPL is engaged in the trading of timber procured from Singapore, New Zealand and Malaysia. The company has interest bearing unsecured loans from promoters, friends and relatives worth Rs.3.04 crore in FY2014-15 that are subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity.

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For FY2014–15, STPL reported profit after tax (PAT) of Rs.0.37 crore on operating income of Rs.106.99 crore, as compared with PAT of Rs.0.38 crore on operating income of Rs.81.73 crore in FY2013-14. The company's net worth stood at Rs.8.79 crore as on March 31, 2015, as compared with Rs.7.41 crore a year earlier.

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