

May 25, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	1.50	SMERA B-/Stable (Assigned)
Letter of Credit	6.00	SMERA A4 (Assigned)
Cheque Purchase	0.05	SMERA A4 (Assigned)

SMERA has assigned rating of '**SMERA B-**' (read as SMERA B minus) and '**SMERA A4**' (read as SMERA A four) to the above mentioned bank facilities of Sree Jeyasakthi Saw Mill (SJS defense). The outlook is '**Stable**'. The ratings are constrained by the firm's small scale of operations, working capital intensive business and below average financial risk profile. Further, the firm's margins are also susceptible to forex fluctuations. However, the ratings draw comfort from the firm's long track record of operations and experienced management.

SJS defense is a Tamil Nadu-based partnership firm engaged in import and trading of timber. The firm operates on a small scale with revenues of Rs.7.73 crore in FY2014-15. The operations are working capital intensive due to the firm's high inventory days of 285 days as on March 31, 2015. SJS defense has a below average financial risk profile marked by high gearing (Total outside liabilities to tangible networth) of 8.05 times as on March 31, 2015 and low interest coverage ratio of 1.36 times for FY2015. In FY2015, SJS defense's EBITDA margin improved from 2.51 per cent in FY2014 to 5.49 per cent in FY2015. However, the margins are largely supported by forex gains. The firm imports timber from Singapore, Australia and South Africa.

SJS defense benefits from its long track record of operations and vast experience of promoters in the trading of timber.

Outlook: Stable

SMERA expects SJS defense to maintain a stable business risk profile backed by the promoters' experience. The financial position is expected to remain moderate over the medium term on account working capital intensive nature of business. The outlook may be revised to 'Positive' if there is improvement in working capital management leading to better financial flexibility along with increase in net worth. Conversely, the outlook may be revised to 'Negative' if there is significant deterioration in the financial risk profile because of higher working capital requirements.

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Rating Sensitivity Factors

- Scaling up of operations while maintaining comfortable liquidity position
- Improvement in operating margins
- Regulatory risk on import of timber

About the Firm

Sree Jeyasakthi Saw Mill (SJSR) was established as a partnership firm in 2002 by Mr. Sanjeev Kumar. The firm is engaged in the business of import and trading of timber.

For FY2014-15, SJSR has reported profit after tax (PAT) of Rs.0.08 crore on operating income of Rs.7.73 crore as against PAT of Rs.0.06 crore on operating income of Rs.10.82 crore in the previous year

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