



Press Release

Mangalam Timbers

October 13, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 8.00 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. 8.00 crore bank facilities of Mangalam Timbers. The outlook is '**Stable**'.

Mangalam Timbers, established as a proprietorship firm in 1995 by Mr. Mahesh Ramji Patel is engaged in the manufacturing of plywood and trading of wooden logs. The firm imports timber from several countries such as Tanzania, Sudan, Malaysia for sale in the domestic market and for export to the Gulf.

Key Rating Drivers

Strengths

- **Experienced management**

The proprietor, Mr. Mahesh Ramji Patel , has experience of over two decades in the timber industry. The extensive experience has helped the firm build long term relations with customers and suppliers.

Weaknesses

- **Moderate scale of operations**

The scale of operations is moderate. The operating income stood at Rs.9.43 crore in FY2015-16 as against Rs.8.23 crore in FY2014-15. The firm operates in a highly competitive and fragmented timber trading business. Since the firm imports timber, it is exposed to forex fluctuation risk as also trade restrictions of various countries.

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross current assets (GCA) of 311 days in FY2015-16 compared to 402 days in FY2014-15. This is due to high inventory holding of 146 days and increased debtor days of 170 as on 31 March 2016. The average utilisation of cash credit facility is ~95 percent.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs. 3.85 crore (including quasi equity) as on 31 March, 2016 compared to Rs.3.89 crore (including quasi equity) as on 31 March, 2015. The gearing (debt-equity) stood at 1.31 times as on 31 March, 2016 and 1.05 times as on 31 March, 2015. The interest coverage ratio stood comfortable at 1.33 times for FY2016 as against 1.29 times for FY2015. Further, SMERA believes that the financial risk profile will remain moderate in the absence of debt funded capex.

- **Susceptibility of profit margins**

The firm imports timber from Tanzania, Sudan, Malaysia, Brazil, Trinidad & Tobago. As a result, the

margins are susceptible to fluctuations in raw material prices and forex rates.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm.

Outlook: Stable

SMERA believes that Mangalam Timbers will maintain a stable outlook owing to the extensive experience of its promoter. The financial position is expected to remain moderate over the medium term on account of its working capital intensive operations. The outlook may be revised to 'Positive' in case of improvement in the working capital leading to better financial flexibility along with increase in the net worth. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile because of higher working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs.0.15 crore on operating income of Rs.9.43 crore compared with PAT of Rs.0.13 crore on operating income of Rs.8.83 crore for FY2014-15. The networth (includes quasi equity) stood at Rs.3.85 crore as on 31 March, 2016 compared to Rs.3.89 crore as on 31 March, 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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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
11-Jun-2016	Cash Credit	Long Term	INR 4	SMERA B / Stable
	Proposed Bank Facility	Long Term	INR 1.5	SMERA B / Stable
	Letter of Credit	Short Term	INR 2.5	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	4.00	SMERA B / Stable
Letter of	Not Applicable	Not	Not	2.50	SMERA A4

credit		Applicable	Applicable		
Proposed	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B / Stable

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ABOUT SMERA

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