

### Sri Bhagawan Timbers: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Secured Overdraft	3.50	SMERA B+/Stable (Assigned)
Letter Of Credit	7.00	SMERA A4 (Assigned)

SMERA has assigned long term rating of **'SMERA B+' (read as SMERA B plus)** on the Rs.3.50 crore (fund based) facilities and **'SMERA A4' (read as SMERA A four)** on the Rs.7.00 crore (non-fund based) facilities of Sri Bhagawan Timbers (SBT). The outlook is **'Stable'**. The ratings are constrained by the weak financial risk profile and exposure of profit margins to fluctuations in forex rates. The ratings also factor in the declining revenue trend and intense market competition. However, the ratings are supported by the experienced management and long track record of operations.

The weak financial risk profile of the firm is marked by high debt-to-equity ratio at 1.97 times, low interest coverage at 1.42 times and weak debt protection metrics in FY2015. The net cash accruals to total debt have been low at 0.06 times in FY2015. Besides, the profitability of the firm remains exposed to fluctuations in exchange rates due to import of timber logs from various countries including Myanmar, Laos and Burma. Moreover, revenue had declined by 38 percent in FY2016 to Rs.15.77 crore (Provisional) due to the ban on timber export in FY2014-15 by Myanmar and Laos from Rs 25.69 crore in FY2015.

However, the rating draws comfort from the extensive experience of the partners and long track record of operations.

#### Rating Sensitivity Factors

- Increase in scale of operations and profit margins
- Improvement in the capital structure
- Availability of timber
- Changes in government policies

#### Outlook-Stable

SMERA believes that SBT will maintain a stable outlook over the medium term owing to the extensive experience of its promoters in the timber wood industry. The outlook may be revised to 'Positive' if the firm achieves more than envisaged sales and profitability while registering improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates due to restrictions on import of timber.

#### Criteria applied to arrive at the rating:

- Trading entities

## About the Firm

SBT, a Bangalore-based partnership firm, established in 1990 is engaged in the trading of timber logs. The firm imports timber wood from Myanmar, Burma and Laos and sells the same to construction companies and saw mills.

For FY2014-15, SBT reported profit after tax (PAT) of Rs.0.30 crore on total operating income of Rs.25.69 crore, as compared with PAT of Rs.0.35 crore on total operating income of Rs.35.50 crore in FY2013-14.

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## ABOUT SMERA

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