

## Press Release

Sri Bhagawan Timbers

09 January, 2018

Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 10.50 Cr.
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable
<b>Short Term Rating</b>	SMERA A4

\* Refer Annexure for details

### Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 10.50 crore bank facilities of Sri Bhagawan Timbers. The outlook is '**Stable**'.

Sri Bhagawan Timbers (SBT), established as a partnership firm in 1994 is engaged in the trading of timber logs at Bangalore. The firm imports timber from Indonesia and Africa and sells the same to saw mills, construction companies in India.

### Key Rating Drivers

#### Strengths

- **Long track record of operations and experienced management**

SBT, established in 1994, has long track record of operations. The partners, Mr. Jagdish S Patel, Mr. Kaushik S Makhani, Mrs. Pushpa K Makhani and Mr. ShivjiBhai Patel have more than two decades of experience in the timber industry.

- **Average financial risk profile**

The financial risk profile is average marked by moderate gearing, average debt protection metrics and low net worth base. The gearing increased to a high of 1.69 times in FY2017 (Provisional) from 1.47 times in FY2016 mainly on account of long term unsecured loans amounting to Rs.3.69 crore from friends and relatives. The ICR and DSCR stood at 1.27 times and 1.33 times in FY2017 (Provisional). The net worth of the firm increased to Rs.3.69 crore from Rs.3.37 crore on account of accreditation of profit. The NCA/TD stood at 0.04 times in FY2017 (Provisional) and 0.06 times in FY2016.

#### Weaknesses

- **Working capital intensive operations**

The working capital management is marked by GCA days of 281 days in FY2017 (Provisional) and 269 days in FY2016 compared to 150 days in FY2015. This is mainly on account of increase in debtor days to 118 in FY2017 (Provisional) from 147 days in FY2016 and increase in inventory days to 139 days in FY2017 (Provisional) from 113 days in FY2016. The rise in debtor days is mainly on account of demonetisation as a result of which revenues got affected in November and December.

- **Foreign exchange fluctuation risk**

Since the firm imports raw material - timber from Africa and Indonesia, the profit margins are susceptible to foreign exchange fluctuation risk with no hedging policy adopted by the firm.

### Analytical Approach

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

### Outlook: Stable

SMERA believes that SBT will continue to maintain a Stable outlook and benefit over the medium term from its established presence in the industry and experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenue while improving margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or if the working capital cycle elongates.

### About the Rated Entity - Key Financials

	Unit	FY17 (Provisional)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	15.38	15.63	25.69
EBITDA	Rs. Cr.	1.23	1.06	0.95
PAT	Rs. Cr.	0.21	0.21	0.30
EBITDA Margin	(%)	7.98	6.80	3.70
PAT Margin	(%)	1.34	1.33	1.17
ROCE	(%)	13.68	12.54	13.30
Total Debt/Tangible Net Worth	Times	1.69	1.47	1.97
PBDIT/Interest	Times	1.27	1.33	1.42
Total Debt/PBDIT	Times	4.74	4.18	5.22
Gross Current Assets (Days)	Days	281	269	150

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

NA

### Any other information

NA

### Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities <https://www.smera.in/criteria-trading.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. Crore)	Ratings/Outlook
08-Aug-2016	Secured Overdraft	Long Term	INR 3.5	SMERA B+ / Stable (Assigned)
	Letter of Credit	Short Term	INR 7	SMERA A4 (Assigned)

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4

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## ABOUT SMERA

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