

Press Release

Sri Jalaram Timber Depot

May 19, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 5.50 Cr
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned 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.5.50 crore bank facilities of Sri Jalaram Timber Depot (SJTD). The outlook is **'Stable'**.

Sri Jalaram Timber Depot (SJTD) is a Tamil Nadu-based partnership firm established in 1999 by Mr. Narayan Bhanji Patel and Mr. Madhavji Narayan Patel. The business was taken over by Mr. Mavji Narayan Patel, Mrs. Lakshmi M. Patel, Mr. Deepak M. Rangani and Mrs. Harsha D. Rangani from April 01, 2009 after the retirement of Mr. Narayan Bhanji Patel and Mr. Madhavji Narayan Patel. SJTD is engaged in trading of timber viz. Teak, Oak, Merbau and Kwila. The firm imports timber from Indonesia, Malaysia, Africa and Ghana and caters to domestic clients mainly in Tamil Nadu and other southern states of India.

List of key rating drivers and their detailed description

Strengths

Long track record of operation along with experienced management: SJTD has been in operations since 1999. The current partners of the firm viz. Mr. Mavji Narayan Patel, Mrs. Lakshmi M. Patel, Mr. Deepak M. Rangani and Mrs. Harsha D. Rangani possess experience of around a decade in timber trading business.

Weaknesses

Small and fluctuating scale of operations in highly competitive and fragmented industry: SJTD operates on a small scale in spite of being in operations since last 18 years. The firm has achieved operating income of Rs.9.11 cr in FY 2015-16 as compared to Rs. 6.01 cr in FY 2014-15. SJTD operates in a highly competitive and fragmented timber trading business. Further, since the firm imports timber from countries like Indonesia, Malaysia, Africa and Ghana it faces the risk associated with country specific trade restrictions.

Below average financial risk profile: SJTD has a below average financial risk profile marked by gearing (debt-to-equity) of 1.49 times as on March 31, 2016 as against 0.64 times as on March 31, 2015 and low Interest coverage ratio of 1.06 times in FY2015-16 as against 1.16 times in FY2014-15. Tangible net worth of SJTD stood low at Rs.1.30 cr as on 31 March 2016 compared to Rs. 1.16 cr as on 31 March 2015.

Working capital intensive nature of operations: The operations of SJTD are working capital intensive marked by Gross Current Assets of 182 days for FY2015-16 as against 186 days for FY2014-15. This is on account of high inventory holding of 143 days for FY2016 as against 90 for FY2015.

Profitability margins are susceptible to fluctuation in raw material prices and forex rates: SJTD imports timber from Indonesia, Malaysia, Africa and Ghana. The prices of these raw materials are highly volatile by nature. The firm's margins are thus susceptible to movement in raw material price and forex rates.

Partnership constitution of the firm: The financial profile of SJTD is susceptible to inherent risk of capital withdrawal owing to the partnership constitution of the firm.

Analytical approach: SMERA has considered the standalone business and financial risk profile of SJTD to arrive at the rating.

Outlook: Stable

SMERA believes that SJTD will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if there is sustainable improvement in revenues, working capital management and financial risk profile. Conversely, the outlook may be revised to 'Negative' if there is significant deterioration in SJTD's financial risk profile due to higher than expected working capital requirements.

About the Rated Entity –Key Financials

For FY2015-16, SJTD reported net profit of Rs.0.02 cr on operating income of Rs.9.11 cr as compared with net profit of Rs.0.02 cr on operating income of Rs.6.01 cr in the previous year. The net worth stand at Rs.1.30 cr as on March 31, 2016 compared to net worth of Rs.1.16 cr in the previous year.

Applicable Criteria

- Trading Entities <https://www.smera.in/criteria-trading.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years: Not Applicable

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A.	1.50	SMERA B/Stable (Assigned)
Inland Bills Negotiation	N.A	N.A	N.A.	1.00	SMERA A4 (Assigned)
Foreign Letter of Credit	N.A	N.A	N.A.	3.00	SMERA A4 (Assigned)

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ABOUT SMERA

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