

Press Release

Nilesh Timbers

03 August, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 7.00 crore bank facilities of Nilesh Timbers. The outlook is '**Stable**'.

Nilesh Timbers (NT) is a Tamil Nadu-based partnership firm established in 1995 by Mr. Nilesh U Patel. The firm, led by partners, Mrs. Laxmi Bhai, Mrs. Preethi N Patel, Mrs. Geeta J Patel and Mrs Vishanji M Patel, trades in timber and caters to domestic clients mainly in Tamil Nadu and Karnataka. The firm imports timber from Indonesia, Malaysia, South Africa and South America.

Key Rating Drivers

Strengths

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

NT commenced operations in 1995. The partners, Mrs. Laxmi Bhai, Mrs. Preethi N Patel and others possess experience of around a decade in timber trading.

Weaknesses

- **Uneven operating income**

NT operates on a small scale in spite of being in operation since 22 years. The operating income has been uneven for the past three years. The firm achieved operating income of Rs.9.42 crore in FY2016-17 (Provisional) compared to Rs.8.79 crore in FY2015-16 and Rs.13.59 crore in FY2014-15. NT operates in a highly competitive and fragmented timber trading business. Since the firm imports timber, it is exposed to risk related to trade restrictions of various countries.

- **Below average financial riskprofile**

NT has a below average financial risk profile marked by net worth of Rs. 3.17 crore as on March 31, 2016 compared to Rs. 3.12 crore as on March 31, 2015. The gearing (debt-to-equity) stood at 0.63 times as on 31 March, 2016 as against 1.13 times as on 31 March, 2015. The Interest coverage ratio (ICR) stood low at 1.09 times in FY2015-16. The TOL/TNW (Total outside liability to tangible net worth) stood at 2.98 times as on 31 March, 2016.

- **Working capital intensiveoperations**

The operations are working capital intensive marked by Gross Current Assets of 434 days for FY2015-16 (PY: 240 days). This is on account of high debtors of 321 days for FY2016 (PY: 113 days). However the working capital utilisation is comfortable.

- **Susceptibility of profitmargins**

NT imports timber from Indonesia, Malaysia, South Africa and South America. The raw material prices are volatile and the firm's margins are thus susceptible to movements in raw material prices and forex rates. The operating margins stood at 5.44 times in FY2015-16 compared to 3.00 times in FY2014-15. The firm incurred Rs. 0.16 crore of forex loss in FY2015-16.

- **Partnership constitution of the firm**

The financial profile of NT 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 profiles of NT.

Outlook: Stable

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

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), NT reported net profit of Rs. 0.07 crore on operating income of Rs. 9.42 crore compared with net profit of Rs. 0.03 crore on operating income of Rs. 8.79 crore in the previous year. The net worth stood at Rs. 3.17 crore as on 31 March, 2016 compared to Rs. 3.12 crore in the previous year.

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

CRISIL, vide release dated May 09, 2017 had inter-alia mentioned the following: 'CRISIL has been consistently following up with Nilesh Timbers (NT) for obtaining information through letters and emails dated January 20, 2017 and February 10, 2017 among others, apart from telephonic communication. However, the issuer has remained non cooperative. The investors, lenders and all other market participants should exercise due caution while using the rating assigned/reviewed with the suffix 'ISSUER NOT COOPERATING'. These ratings lack a forward looking component as it is arrived at without any management interaction and is based on best available or limited or dated information on the company.'

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***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	1.00	SMERA B / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B / Stable

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ABOUT SMERA

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