

Press Release

SRI VIJAYLAKSHMI SAW MILL

October 30, 2017

Rating Assigned



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 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. 8.00 crore bank facilities of SRI VIJAYLAKSHMI SAW MILL. The outlook is '**Stable**'.

Sri Vijaylakshmi Saw Mill (SVSM) is a Tamil Nadu-based partnership firm established in 1997. The firm is engaged in the trading of timber viz. Teak, Oak, Merbau and Kwila. The firm imports timber from Singapore, Indonesia, Malaysia and South Africa and sells to clients in Tamil Nadu and other southern states. The day-to-day operations are led by Mr. Devshi M Patel and Mr. D. Satishkumar who possess more than two decades of experience in the said line of business.

Key Rating Drivers

Strengths

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

SVSM commenced operations in 1997. The partners, Mr. Devshi M Patel, Mr. D. Satishkumar, Ms. D. Damayanthi and others possess experience of around two decades in timber trading.

- **Average financial risk profile**

The financial risk profile is average marked by net worth of Rs.5.74 crore as on 31 March, 2017 compared to Rs.1.89 crore in the previous year. The partners have infused capital to fund the inventory. The gearing stood comfortable at 0.25 times as on 31 March, 2017 compared to 0.37 times as on 31 March, 2016. The Interest coverage ratio stood at 1.24 times in FY2016-17 as against 1.37 times in FY2015-16. The TOL/TNW (Total Outside Liabilities/Tangible Net worth) improved to 0.73 times as on 31 March, 2017 from 1.22 times in the previous year.

Weaknesses

- **Fluctuating scale of operations**

The scale of operations is small despite the firm being in business for the last 19 years. The firm registered operating income of Rs.5.00 crore in FY2016-17 as against Rs.2.07 crore in FY2015-16 and Rs.6.28 crore in FY2014-15. SVSM operates in a highly competitive and fragmented timber trading industry. Further, since the firm imports timber from Singapore, Indonesia, Malaysia and South Africa it is exposed to risks related to trade restrictions of other countries.

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Assets of 622.32 days for FY2016-17 (PY: 554 days). This is on account of high inventory holding of 349 days in FY2016-17 (PY: 449 days) and high receivable days of 285 days in FY2016-17 (PY: 109 days).

- **Susceptibility of margins to fluctuations in raw material prices, forex rates**

~~SVSM imports timber from Singapore, Indonesia, Malaysia and South Africa. As a result, the firm's margins~~

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

• **Risk of capital withdrawal**

The financial profile of SVSM is susceptible to the inherent risk of capital withdrawal owing to the partnership constitution of the firm. However, the same has not been observed in the past three financial years.

Analytical Approach

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

Outlook: Stable

SMERA believes that SVSM 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 owing to higher than expected working capital requirements.

About the Rated Entity - Key Financials

For FY2016-17, SVSM reported net profit of Rs.0.05 crore on operating income of Rs.5.00 crore compared with net profit of Rs.0.02 crore on operating income of Rs.2.07 crore in the previous year. The net worth stood at Rs. 5.74 crore as on 31 March, 2017 compared to Rs.1.89 crore in the previous year.

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.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	3.00	SMERA B / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A4
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4

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ABOUT SMERA

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