

Press Release

Aswath Saw Mill

August 13, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 16.00 crore bank facilities of ASWATH SAW MILL. The outlook is '**Stable**'.

Established in 1994, Aswath Saw Mill is a proprietorship firm based out of Shenkottai (Tamil Nadu) engaged in trading of timbers. The firm is promoted by Mr. Maguthu Meeran, who has more than 4 decades of experience in the trading industry.

Key Rating Drivers

Strengths

- Experienced Management**

The promoter has been in trading business for more than 4 decades. The extensive experience of the promoter has helped the firm to establish long standing relationship with customers and suppliers.

Weaknesses

- Modest scale of operation:**

In spite of being in the industry for more than 2 decades, ASM scale of operation is modest as operating income dropped to Rs.16.10 crore in FY2018 (Provisional) as against Rs.20.23 crore in FY2017. Acuite believe the scale of operation to remain modest in medium term on account of intensely competitive market to gain market share

- Below average financial risk profile and stretched working capital**

The financial risk profile of ASM is below average marked by negative operating profit before tax (PBT) of Rs.(0.39) crore in FY2018 (Provisional) as against Rs.0.25 crore in FY2017. Interest Coverage Ratio stood at 0.63 times in FY2018 (Provisional) with Earnings Before Interest and Tax (EBIT) stood at Rs.0.67 crore. Working capital cycle is stretched with Gross Current Asset (GCA) days and Working Capital Cycle days at 418 and 172 days respectively in FY2018 (Provisional).

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of ASM to arrive at this rating.

Outlook: Stable

Acuite believes that ASM will maintain 'Stable' outlook over the medium term on the account of experienced management. The outlook may be revised to 'Positive' in the case of increase in scale of operation and improvement in working capital management. The outlook may be revised to 'Negative' in case of further reduced in profitability and working capital cycle deterioration.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	16.10	20.23	17.29
EBITDA	Rs. Cr.	0.79	1.64	1.48
PAT	Rs. Cr.	0.33	0.42	0.40

EBITDA Margin	(%)	4.93	8.08	8.59
PAT Margin	(%)	2.07	2.06	2.34
ROCE	(%)	11.40	14.45	15.10
Total Debt/Tangible Net Worth	Times	0.70	0.73	0.84
PBDIT/Interest	Times	1.44	1.38	1.38
Total Debt/PBDIT	Times	3.39	2.80	3.08
Gross Current Assets (Days)	Days	418	356	405

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

Not applicable

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	3.50	ACUITE B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4

Contacts

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About Acuité Ratings & Research:

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