

December 09, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	5.00	SMERA D (Assigned)
Letter of Credit	15.00	SMERA D (Assigned)
Bill Purchase/Discounting	0.50	SMERA D (Assigned)

SMERA has assigned ratings of '**SMERA D**' (**read as SMERA D**) to the Rs. 5.00 crore long-term bank facilities and Rs. 15.50 crore to the short-term bank facilities of Ambika Woods Private Limited (Ambika). The rating primarily reflects the company's stretched liquidity position, which led to devolvement of letter of credit. The rating also reflects the company's weak financial risk profile, small scale of operations amidst intense competition, working capital-intensive business, and exposure to foreign exchange fluctuation risk. The aforementioned weaknesses are partially offset by AWPL's experienced management.

AWPL, established in 1998, is a Tamil Nadu-based company engaged in trading of timber. AWPL imports round timber logs, which are subsequently sawn and sized into various sizes. The company has a stretched liquidity profile, driven by high gross current assets (GCA) of 270 days in FY2012-13, visible from high utilisation of cash credit limits and devolvement of Letter of credit. AWPL has a small scale of operations with total operating income of Rs. 31.52 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company faces intense competition due to low entry barriers in the timber trading industry, which is highly fragmented by the presence of several players in the unorganised sector. AWPL's operations are working capital-intensive owing to extended receivables period and high inventory levels. The company's inventory holding period stretched from 101 days in FY2011-12 to 154 days in FY2012-13. AWPL is exposed to foreign exchange fluctuation risk as the company is entirely dependent on imports for procurement of round timbers. The firm is entirely dependent on imports for procurement of round timbers. The company is also exposed to the risk of unfavourable changes in deforestation and export policies of timber-exporting countries. AWPL's leverage is high at around 16.80 times as on March 31, 2013.

AWPL's promoter has experience of over two decades in timber trading business. Over the years, it has increased its product range, which now covers teak wood, pine wood with varied sub-type, length and diameter therein.

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About the company

AWPL, incorporated in 1998, is a Tamil Nadu-based company promoted by Mr. Devsi Narayan Patel. AWPL is engaged in trading of timber. The company has a sawing facility in Shencottah, Tirunelveli District —Tamil Nadu. AWPL's proximity to the Tuticorin port facilitates import of timber.

For FY2012–13, AWPL registered PAT of Rs. 0.15 crore on revenue of Rs. 31.52 crore, as compared with PAT of Rs. 0.15 crore on revenue of Rs. 30.95 crore for FY2011–12. The company's net worth stood at Rs. 1.44 crore as on March 31, 2013, as compared with Rs.1.29 crore a year earlier.

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