

December 11, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	0.40	SMERA B/Stable (Assigned)
Letter of Credit	10.00	SMERA A4 (Assigned)
Bill Purchase/Discounting	0.25	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B' (read as SMERA B)** to the Rs.0.40 crore long-term bank facilities and '**SMERA A4' (read as SMERA A Four)** to the Rs.10.25 crore short-term bank facilities of Ananda Saw Mills (Ananda). The outlook is '**Stable**'. The ratings are constrained by the firm's modest scale of operations and working capital-intensive business. The ratings are further constrained by the firm's exposure to intense competitive pressure, supply constraint risk and foreign exchange rate volatility. However, the ratings are supported by the firm's experienced management, long-standing relationships with suppliers and low leverage.

Ananda, established in 1982, is a Tamil Nadu-based partnership firm engaged in trading of various types of timber including teak wood and pine wood. Ananda imports round timber logs, which are subsequently sawn and sized into various sizes. The firm has a small scale of operations with total operating income of Rs.6.06 crore in FY2012-13 (refers to financial year, April 01 to March 31). Ananda's operations are working capital-intensive owing to extended receivables period and high inventory levels. The firm's inventory holding period stretched from 87 days in FY2011-12 to 322 days in FY2012-13. Ananda faces intense competitive pressure due to low entry barriers in the timber trading industry, which is highly fragmented by the presence of several players in the unorganised sector. The firm is exposed to foreign exchange fluctuation risk as it is entirely dependent on imports for procurement of round timbers. Ananda is also exposed to the risk of unfavourable changes in deforestation and export policies of timber-exporting countries.

Mr. R. Alaga Raja, Promoter of Ananda, has more than 40 years of experience in timber trading industry. Ananda benefits from its established relationships with suppliers based in Malaysia, Myanmar, Africa, Indonesia, and Singapore. The firm has low leverage at 0.32 times as on March 31, 2013.

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Ananda Saw Mills (Ananda)

Outlook: Stable

SMERA expects Ananda will maintain a stable business risk profile on the back of its experienced management. The outlook may be revised to 'Positive' in case of improvement in the firm's working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile on account of adverse movements in foreign exchange rates and higher-than-expected increase in debt-funded working capital requirements.

About the firm

Ananda, established in 1982, is a partnership firm promoted by Mr. R. Alaga Raja. Ananda is engaged in trading of timber. The firm has a sawing facility in Shencottah, Tirunelveli District - Tamil Nadu. Anada's proximity to the Tuticorin port facilitates import of timber.

For FY2012-13, Ananda registered PAT of Rs.0.23 crore on revenue of Rs.6.06 crore, as compared with PAT of Rs.0.30 crore on revenue of Rs.8.62 crore for FY2011-12. The firm's net worth stood at Rs.3.16 crore as on March 31, 2013, as compared with Rs.2.85 crore a year earlier.

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