

March 18, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA B/Stable (Reaffirmed)
Letter of Credit	10.00	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the ratings of '**SMERA B**' (read as **SMERA single B**) and '**SMERA A4**' (read as **SMERA A four**) on the Rs.12.00 crore bank facilities of Sri Bhavani Saw Mills (Bhavani). The outlook is '**Stable**'. The ratings remain constrained by the firm's modest scale of operations and working capital-intensive business. The ratings are also constrained by the firm's exposure to intense competition in the timber trading business. The ratings note that the firm's profit margins are susceptible to forex fluctuation risk. However, the ratings draw comfort from the firm's experienced management.

Update

Bhavani's revenues increased from Rs.7.42 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.10.87 crore in FY2013-14. The firm's moderate financial risk profile is reflected in gearing (debt-to-capital ratio) of 0.54 times as on March 31, 2014 and interest coverage ratio of 1.26 times in FY2013-14. Bhavani's working capital cycle is stretched at 146 days in FY2013-14. The firm's profit margins are highly susceptible to fluctuations in forex rates.

Outlook: Stable

SMERA believes Bhavani will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the firm registers sustained growth in scale of operations while achieving substantial improvement in profitability and working capital management. The outlook may be revised to 'Negative' in case the firm reports lower-than-expected revenues and profit margins, or in case of deterioration in the firm's working capital cycle.

About the firm

Bhavani is a partnership firm promoted by Mr. Dilip Patel and Mr. Praveen Patel. Bhavani is engaged in trading of timber. The firm has a sawing facility in Shencottah (Tirunelveli District, Tamil Nadu), in proximity to the Tuticorin Port.

For FY2013-14, Bhavani reported profit after tax (PAT) of Rs.0.08 crore on operating income of Rs.10.95 crore, as compared with PAT of Rs.0.06 crore on operating income of Rs.7.50 crore in FY2012-13. Bhavani's net worth stood at Rs.4.75 crore as on March 31, 2014, as compared with Rs.4.55 crore a year earlier.

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