

April 05, 2016

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 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 reaffirmation is in view of the comfortable liquidity position and moderate financial risk profile marked by healthy gearing indicators. The ratings continue to draw comfort from the firm's long track record of operations and experienced management. However, the ratings continue to be constrained by the modest scale of operations in an intensely competitive timber industry. The ratings also factor in the susceptibility of profit margins to forex fluctuation risk.

Update

The firm's revenue increased from Rs.10.87 crore in FY2013-14 (refers to the financial year, April 01 to March 31) to Rs.11.98 crore in FY2014-15. Bhavani's comfortable liquidity position is due to its low utilisation of cash credit facility, moderate financial risk profile marked by healthy gearing (debt-to-capital ratio) of 0.45 times and interest coverage ratio of 1.21 times in FY2015.

Outlook: Stable

SMERA believes that the firm will continue to benefit over the medium term from the promoter's extensive experience in the timber trading business. The outlook may be revised to 'Positive', if the firm achieves increased revenue growth while sustaining improvement in its profit margins along with effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profit margins or deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up of operations and improvement in profitability margins
- Improvement in the capital structure
- Effective working capital management

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About the Firm

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

For FY2014-15, Bhavani reported profit after tax (PAT) of Rs.0.09 crore on operating income of Rs.12.07 crore, as compared with PAT of Rs.0.08 crore on operating income of Rs.10.95 crore.

Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Suman M National Sales Head – Emerging Corporate Group Tel: +91-22-6714 1151 Cell: +91- 98923 06888 Email: suman.m@smera.in Web: www.smera.in	Mohit Jain Vice President – Rating Operations Tel: +91-22-6714 1105 Email: mohit.jain@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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