

### Bismillah Timber Private Limited: Upgraded

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	2.00	SMERA BB/Stable (Upgraded from BB-/Stable)
Letter of Credit	8.00	SMERA A4+ (Reaffirmed)

SMERA has upgraded the long term rating to **'SMERA BB' (read as SMERA double B)** from 'SMERA BB-' (read as SMERA double B minus) and reaffirmed the short term rating to **'SMERA A4+' (read as SMERA A four plus)** on the above mentioned bank facilities of Bismillah Timber Private Limited (BTPL). The outlook is **'Stable'**. The upgrade is on account of increase in revenue and improvement in the financial risk profile.

For arriving at the ratings, SMERA has consolidated the business and financial risk profiles of Bismillah Timber Private Limited (BTPL) and Emperor Timber Trader Private Limited (ETTPL) (hereafter referred to as the Emperor Group (EG) on account of similarity in the line of business, financial fungibility and common management.

The ratings continue to draw comfort from the established track record of operations, experienced management and moderate scale of operations. The ratings also factor in the comfortable financial risk profile. However, the ratings are constrained by working capital intensive business, susceptibility of margins to raw material prices and forex fluctuation risk.

#### Update

EG is engaged in timber trading. The company's revenue improved to Rs.100.75 crore in FY2016 from Rs.92.61 crore in FY2015 mainly due to increase in orders. The financial risk profile registered improvement marked by tangible net worth of Rs.13.71 crore and gearing (debt-to-equity ratio) of 0.28 times as on March 31, 2016 compared to tangible net worth of Rs.11.23 crore and gearing of 0.58 times as on March 31, 2015. The interest coverage ratio stood at 3.24 times in FY2015-16 compared to 3.69 times in FY2015-16.

The operations are working capital intensive, as reflected in the gross current assets of around 147 days as on March 31, 2016. The operating margins declined to 2.55 percent in FY2016 from 3.00 percent in FY2015 due to increase in raw material prices. Also, the operating margins are susceptible to volatility in raw material prices. EG is also exposed to fluctuations in forex rates for unhedged imports.

#### Rating Sensitivity Factors

- Scaling up of operations while improving profit margins
- Movement in gearing and coverage indicators
- Efficient working capital management

#### Outlook: Stable

SMERA believes that EG will continue to maintain a 'Stable' outlook over the medium term owing to the extensive experience of the management. The outlook may be revised to 'Positive', if the company achieves sustained improvement in profit margins while maintaining healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profit margins or deterioration in the capital structure or coverage indicators.

**Criteria applied to arrive at the ratings:**

- Consolidation
- Trading Entities

**About the Group**

BTPL and ETTPL incorporated in 1997 and 2004 respectively, derive revenue primarily from trading in timber. The group's operations are managed by its promoters Mr. V.M.M. Sharfudeen and Mr. Naushad Ali. The group imports timber logs from Malaysia, Singapore, South Africa and South America.

In FY2015-16 EG registered net profit after tax (PAT) of Rs.1.48 crore on operating income of Rs.100.75 crore as against PAT of Rs.1.60 crore on operating income of Rs.92.61 crore in the previous year (on consolidated basis).

**Rating History**

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
06 Oct, 2015	Cash Credit	2.00	SMERA BB- (Assigned)	-	Stable
	Letter of Credit	8.00	-	SMERA A4+ (Assigned)	-

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**ABOUT SMERA**

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