

June 05, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.00	SMERA B/Stable (Assigned)
Letter of Credit	2.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B**' (read as SMERA single B) and '**SMERA A4**' (read as SMERA A four) to the abovementioned bank facilities of Sree Ashapura Saw Mill (SASM). The outlook is '**Stable**'. The ratings are constrained by the firm's modest operating scale and working capital-intensive operations in a highly competitive timber industry. The ratings are also constrained by the firm's exposure to supply constraints arising from unfavourable changes in deforestation regulations and trade policies of timber-exporting countries. However, the ratings derive comfort from the firm's experienced management.

SASM, established in 1992, is a Tamil Nadu-based partnership firm engaged in trading of imported timber logs. SASM has small-scale operations reflected in total operating income of Rs.2.32 crore in FY2012-13 (refers to financial year, April 01 to March 31). The firm's operations are working capital-intensive, as evidenced by high level of inventory holding (of 202 days) in FY2012-13. SASM faces intense competition from several players in the timber industry. The firm is susceptible to unfavourable changes in deforestation regulations and trade policies of timber-exporting countries. SASM hedges forex fluctuation risk by booking forward cover on foreign currency exposure.

SASM benefits from its experienced management. The partners of the firm have around three decades of experience in the timber industry

Outlook: Stable

SMERA believes SASM will maintain a stable business risk profile in the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

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About the firm

SASM, established in 1992, is a Tamil Nadu-based partnership firm promoted by Mr. P. Ramesh Kumar. SASM is engaged in trading of timber. The firm imports round timber logs, which are sawn and sized as per the requirements of customers. SASM's sawing facility (in Pollachi, Tamil Nadu) is in proximity to the Tuticorin port.

For FY2012–13, SASM reported profit after tax (PAT) of Rs.0.02 crore on operating income of Rs.2.52 crore, as compared with PAT of Rs.0.05 crore on operating income of Rs.5.24 crore for FY2011–12. The firm's net worth stood at Rs. 1.32 crore as on March 31, 2013, as compared with Rs. 1.31 crore a year earlier. SASM registered revenue of Rs.10.82 crore (provisional) in FY2013–14. The firm's net worth stood at Rs.1.44 crore (provisional) as on March 31, 2014.

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