

Press Release

Sree Ashapura Saw Mill (SASM)

23 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.14.00 Cr
Long Term Rating	SMERA B/Stable(Reaffirmed)
Short Term Rating	SMERA A4 (Reaffirmed)
Short Term Rating	SMERA A4 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the rating of '**SMERA B**' (read as SMERA B) and '**SMERA A4**' (read as SMERA A four) on the Rs.11 crore facilities and assigned short term rating of '**SMERA A4**' (read as SMERA A four) to the Rs.3.00 crore facilities of Sree Ashapura Saw Mill (SASM). The outlook is '**Stable**'.

SASM, incorporated in 1992, is engaged in the trading of timber.

List of key rating drivers and their detailed description

Strengths:

Extensive experience of promoters in timber trading: The group benefits from its experienced management. Mr. P Ramesh Kumar, Partner, has more than three decades of experience in the timber industry.

Average financial risk profile: The average financial risk profile of the Ashapura group is marked by comfortable gearing of 0.84 times, moderate net worth base of Rs.11.08 crore and interest coverage ratio (ICR) of 1.21 times in FY2015-16. The Net cash accrual to Total debt is at 0.07 times and Debt Service Coverage ratio is at 1.21 times in FY2016.

Weaknesses:

Geographical concentration: The group derives almost entire revenue from Tamil Nadu and hence is exposed to significant geographical concentration.

Working capital intensive business: The operations are working capital intensive marked by high gross current asset (GCA) of 219 days against 416 days during the previous year. The high GCA days emanate from the high inventory holding period and debtor days of 135 and 91 respectively in FY2016 as against 290 and 147 days respectively in FY2015.

Analytical approach: SMERA has consolidated the business and financial risk profiles of Sree Ashapura Saw Mill (SASM), Ambika Timber Depot (ATD) and Thrisul Timber Traders (TTT) referred to as the Ashapura Group (AG) owing to a common management, similarity in the line of business, significant financial linkages and fungible cash flows.

Applicable Criteria:

- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Criteria for Consolidation of Companies: <https://www.smera.in/criteria-consolidation.htm>
- Trading Entities: <https://www.smera.in/criteria-trading.htm>

Outlook: Stable

SMERA believes that SASM will maintain a stable outlook in the medium term owing to the extensive experience of its promoters. The outlook may be revised to 'Positive' in case of improvement in revenue and working capital management leading to better financial flexibility. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates significantly because of working capital requirements or if the firm undertakes any debt funded capex.

About the Rated Entity

SASM, incorporated in 1992, is a Tamil Nadu-based firm promoted by Mr. P. Ramesh Kumar. The firm is engaged in the trading of timber.

For FY2015-16, SASM registered profit after tax (PAT) of Rs.0.13 crore on operating income of Rs.18.27 crore, as compared with PAT of Rs.0.10 crore on operating of Rs.14.37 crore in FY2014-15.

For FY2015-16, AG registered profit after tax (PAT) of Rs.0.56 crore on operating income of Rs.58.66 crore, as compared with PAT of Rs.0.38 crore on operating income of Rs.43.33 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	4.50	SMERA B/Stable (Reaffirmed)	-	-	09 Oct, 2015	SMERA B/Stable (Reaffirmed)	05 Jun, 2014	SMERA B/Stable (Assigned)
Letter of Credit	ST	6.50	SMERA A4 (Reaffirmed)	-	-	09 Oct, 2015	SMERA A4 (Reaffirmed)	05 Jun, 2014	SMERA A4 (Assigned)
Letter of Credit (Proposed)	ST	3.00	SMERA A4 (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	4.50	SMERA B/Stable (Reaffirmed)
Letter of Credit	N.A	N.A	N.A	6.50	SMERA A4 (Reaffirmed)
Letter of Credit (Proposed)	N.A	N.A	N.A	3.00	SMERA A4 (Assigned)

Note on complexity levels of the rated instrument:
<https://www.smerra.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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