



RATING RATIONALE

27 Oct 2020

Abiramee Timber Company

Brickwork ratings upgrades the long term ratings and reaffirms the short term ratings for the Bank Loan Facilities of Rs.9.80 Crs. of Abiramee Timber Company

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July, 2020)	Present
Fund Based Secured Overdraft	2.44	1.80	Long Term	BWR B- (Stable) Issuer Not Cooperating*	BWR B (Stable) Upgrade
Non-Fund Based FLC	13.50	8.00**	Short Term	BWR A4 Issuer Not Cooperating *	BWR A4 (Reaffirm)
Total	15.94	9.80	INR Nine Crores and Eighty Lakhs only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** The FLC limit is interchangeable (one-way) with SOD to the extent Rs 1.20 Crs.

Complete details of Bank facilities is provided in Annexure-I

RATING ACTION/OUTLOOK:

The rating draws comfort from the promoters' experience in the same line of business and long standing relationship with its suppliers and customers. However, the ratings are constrained by below average capital structure, declining revenue, exposure to foreign exchange risk and slowdown in the overall economy.

BWR believes the Abiramee Timber Company business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

KEY RATING DRIVERS

BWR has essentially relied upon the audited financial statements of FY17, FY18, FY19, provisional FY20 and projections for FY21. Abiramee Timber Company, publicly available information and information/clarifications provided by the management.



Credit Strengths:

- **Experienced promoter with established track record:**

Abiramee Timber Company was established in 2000. The promoter's experience in the business of about two decades and the operational track record of the concern of around 20 years in the industry has benefited the concern in establishing long standing relationships with its suppliers.

Credit Risks:

- **Low net worth and scale of operation:**

The tangible net worth of the concern is at low levels at Rs.2.15 Crs in FY19. The scale of operations is below average with declining revenues from Rs.19.07 Crs in FY18 to Rs.16.55 Crs in FY19. This is on account of subdued demand in the construction industry, a major client of the timber industry. Also the impact of COVID-19 on the business is expected to continue for the medium term.

- **Forex risk:**

The concern's cash flow and profits remain exposed to fluctuations in foreign exchange rates, as the concern does not have any hedging practices to mitigate the risk.

- **Constitution of the entity as a proprietorship concern:**

Abiramee Timber Company being a proprietorship concern is exposed to inherent risk of capital withdrawal at the time of personal contingency which will affect its capital structure.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria furnished below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the concern to achieve projected revenue & profitability margins and manage liquidity would be the key rating sensitivities.

Positive: The rating would be upgraded if the concern shows significant improvement in its overall financial risk profile.

Negative: The rating would be downgraded if there is further deterioration in the revenue, liquidity position and capital structure.

LIQUIDITY INDICATORS

Stretched

The liquidity position of the concern is stretched reflected by the full utilization of the overdraft limits. The current ratio is low at 1.02 times in FY19. The DSCR and ISCR of the concern are 1.01 times and 2.18 times. The gearing stood at 1.70 times in FY19. The concern has opted to avail moratorium benefits under the COVID-19 relief package announced by RBI.

COMPANY PROFILE

Abiramee Timber was established in 2000 in MuthiahPuram, Tamil Nadu as a proprietary concern by Mr. Rajaiah Jaypal Senthil. He has an experience of 20 years in the same line of business. The concern is a trader of various kinds of timber such as teak wood, rose wood, hard wood, Maple & Mahogany. It imports from Malaysia, Burma, Australia, New Zealand and Singapore and sells it domestically. The concern takes care of the procuring raw materials and selling directly to retailers, wholesalers and construction companies. It has a storage set up of 1.67 acres.

KEY FINANCIAL INDICATORS

Key Parameters	Units	2019	2018
Result Type		Audited	Audited
Operating Revenue	Crores	16.55	19.07
OPBDIT	Crores	1.66	0.39
PAT	Crores	0.17	0.49
Tangible Net worth	Crores	2.15	2.29
Total Debt/Tangible Net worth	Times	1.70	1.42
Current Ratio	Times	1.04	1.02

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY: NA

RATING HISTORY FOR THE LAST 3 YEARS (including withdrawn and suspended)

Facility	Current Rating (2020)			Rating History		
	Type	Amount (₹ Crs)	Rating	Jul, 2020	Mar, 2019	2018
Fund Based	Long Term	1.80	BWR B (Stable) Upgrade	BWR B- (Stable) Issuer Not Cooperating *	BWR B (Stable)	-
Non-Fund Based	Short Term	8.00	BWR A4 Reaffirm	BWR A4 Issuer Not Cooperating *	BWR A4	-
Total		9.80	₹ Nine Crores and Eighty Lakhs only			

Note: The initial rating of BWR B+/Stable/A4 was assigned in Oct 2015

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf



Hyperlink/Reference to applicable Criteria

- [Approach to Financial Ratios](#)
- [General Criteria](#)

Analytical Contacts	Investor and Media Relations
<p>Priyanka R S Primary Analyst Board: +91 044 24663326 Ext: 107 priyanka.rs@brickworkratings.com</p> <p>R Varadarajan Assoc. Director– Ratings B : +91 044 24663326 varadarajan.r@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

Abiramee Timber Company ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facilities	Long Term [₹ Cr]	Short Term [₹ Cr]	Total [₹ Cr]
1.	Karur Vysya Bank	SOD	1.80	-	1.80
2.		FLC	-	8.00	8.00
Total					9.80

Total Rupees Nine Crores and Eighty Lakhs only.



For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.