

## Rating Rationale

### Brickwork Ratings Reaffirms 'BWR B-' & 'BWR A4' for the Bank Loan Facilities aggregating ₹26.05 Cr of Andaman Timber Company

Brickwork Ratings has *reaffirmed* the **Ratings**<sup>1</sup> for the enhanced Bank Loan facilities of ₹26.05 Cr of Andaman Timber Company (ATC or the firm) as follows;

Facility	Previous Limits Rs.Cr	Present Limits Rs.Cr	Tenure	Previous Rating August 21 2013	Present Rating
<b>Fund Based</b> Cash Credit	3.00	3.50	Long Term	<b>BWR B-</b> (Pronounced BWR Single B Minus ) Outlook: Stable	<b>BWR B-</b> (Pronounced BWR Single B Minus ) Outlook: Stable Reaffirmation
Term Loan*	0.00	0.55			
<b>Non-Fund Based</b> FLC	22.00	22.00	Short Term	<b>BWR A4</b> (Pronounced BWR A Four)	<b>BWR A4</b> (Pronounced BWR A Four) <b>Reaffirmation</b>
<b>Total</b>	<b>25.00</b>	<b>26.05</b>	<b>INR Twenty Six Crores and Five Lakhs Only</b>		

\*Term Loan O/S as on 28/10/2015

BWR has principally relied upon the audited financial statements up to FY15, Projections up to FY17 and publicly available information and information/clarifications provided by ATC

Andaman Timber Company's ratings draw strength from the extensive industry experience of the promoter in the Timber processing and trading business, long track record of the operations and established customer and Supplier relationships. The rating assigned is however constrained by its small scale of operations, weak financial risk profile marked by negative operating profitability margins continuing over the years, low networth, high gearing, very poor coverage ratios, working capital intensive operations, intense competition, Proprietorship constitution of the entity, and foreign currency risks.

#### Background:

M/S Andaman Timber Company (ATC) is a proprietorship concern established in the year 1994. Mr. R Pandian is the Proprietor of the firm. ATC is located in Chennai, Tamil Nadu. ATC is engaged in mainly trading and processing of different types of timber Logs, timber products and sawn timber .The timber logs are imported mainly from Myanmar, Malaysia, Indonesia, South Africa and other African countries which is subsequently sized at its saw mill unit in Pallavaram, Chennai into various commercial sizes.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

The firm imports various types of timber such as Selangan Batu, Kwilla, Niove, Kapur, Tali, Padauk, Merbau, South American hardwood, Burma Teak and Plantation Teak..... ATC sells its products mainly in Tamil Nadu and the customers of ATC include retailers and traders.

### Financial Performance:

As per the Audited financial of FY 15, ATC has reported a total operating income of ₹33.10 crores, negative OPBDIT of ₹2.01 crore and a PAT of ₹0.73 crore as against a total operating income of ₹27.79 crore, negative OPBDIT of ₹1.66 crore and negative PAT of ₹0.05 crore in FY14. EBITDA and PAT margins recorded at (8.31) % and 2.19 % in FY15 as against (5.98%) and (0.19%) in FY14. Proprietor's Capital stood at ₹2.64 Crores, coupled with a D/E ratio of 2.44 times and current ratio of 1.26 times for FY 15.

### Rating Outlook:

The rating outlook is expected to be stable over the current year. The ability of the firm to substantially improve its scale of operations, profitability margins, capital structure, coverage ratios and efficient management of working capital would be the key rating sensitivities.

<b>Analyst Contact</b>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone</b>	<b>Media Contact</b>
<b>1-860-425-2742</b>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

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