

Rating Rationale

Sri Ganesh Saw Mill

28Mar2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹16.00 Crores of Sri Ganesh Saw Mill ('SGSM' or 'the firm')

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jan 2018)	Present
Fund based	8.30	4.00	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable Reaffirmed
Non Fund Based	12.00	12.00	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four)
Total	20.30	16.00	INR Sixteen Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18, projections of FY19 and FY20, publicly available information and clarifications as provided by the firm's management.

The rating factors the partner's experience in the business, operational track record of the firm and its relationship with suppliers and customers. The rating, however, is constrained by the declined revenue, low profit margins, low networth, weak interest coverage ratio and elongated cash conversion cycle along with the presence of the firm in a highly fragmented and competitive industry, risk associated with fluctuations in timber prices and foreign exchange, and its constitution.

The ability of the firm to enhance its scale of operations and improve its profit margins to strengthen its liquidity position and interest serving capacity along with improving the networth by infusing funds and managing the currency risk efficiently will be the key rating sensitivities.



Description of Key Rating Drivers

- **Credit Strengths:** Managing partner of the firm, Mr. H Purushottaman, has four decades of experience. The firm, established in 2001, has an operation track record of more than a decade in the business resulting in maintained relationship with customers and suppliers of around a decade.
- **Credit Risks:** Total operating income of the firm has declined from ₹62.72 Cr in FY17 to ₹49.97 Cr due to decreased demand during implementation of GST. On account of trading nature of business, the profit margins remains low at operating profit margin of 3.50% and net profit margin of 0.92% in FY18 which is also exposed to risk associated with exchange rate fluctuations as firm imports 60% of its Timber logs. Thereby, the interest coverage ratio stands weak at 1.17 times in FY18. High receivables of the firm has resulted in stretched cash conversion cycle of 109 days in FY18. Presence of large number of unorganised players in the industry has restricted the pricing flexibility of the firm's products. Being a partnership firm, the risk of capital withdrawal remains inherent. The firm has a networth of ₹4.11 Cr as at 31st March 2018.

Analytical Approach

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

Rating Outlook: Stable

BWR believes the **Sri Ganesh Saw Mill** 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.

About the Company

Sri Ganesh Saw Mill was established as a partnership firm in the year 2001 at Dindigul, Tamilnadu. The firm is engaged in trading and processing of timber logs. The firm has its own Saw Mill and produces flats and sizes as per the customers' requirements. It procures 60% of its timber logs from Singapore, New Zealand and Dubai. Remaining 40% is being procured domestically. The partners of the firm are Mr. H Purushothaman and Mr. P Daksha.

Company Financial Performance

As per the audited financials of FY18, the firm has achieved a total operating income of ₹49.97 Cr with an operating profit of ₹1.75Cr and net profit of ₹0.46 Cr. As informed by the management, the firm has achieved a sale of ₹42.81 Cr in 11MFY19.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	17.01.2018	2017	2016
1.	Fund Based	Long Term	4.00	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable Reaffirmed	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable	Not Rated	Not Rated
2.	Non Fund Based	Short Term	12.00	BWR A4 (Pronounced as BWR A Four) Reaffirmed	BWR A4 (Pronounced as BWR A Four)		
Total			16.00	₹ Sixteen Crores Only			

Status of non-cooperation with previous CRA - None

Any other information - Nil

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	49.97	62.72
EBITDA	₹ Cr	1.75	2.46
PAT	₹ Cr	0.46	0.44
Tangible Net worth	₹ Cr	4.11	3.41
Total Debt/Tangible Net worth	Times	2.66	5.65
Current Ratio	Times	1.75	1.88

Hyperlink/Reference to applicable Criteria

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



- [Short Term Debt](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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 reason.



Annexure I

₹ Cr

Name of the Bank	Name of Facilities	Tenure	Previous Amount	Present Amount
Lakshmi Vilas Bank	Cash Credit	Long Term	8.00	4.00
	Term Loan		0.30	
	ILC/FLC	Short Term	12.00	12.00
Total			20.30	16.00