



Rating Rationale

Sri Laxmi Saw Mill

22 Jan 2018

Brickwork Ratings downgrades the rating for the Bank Loan Facilities of Sri Laxmi Saw Mill (SLSM)

Particulars

Facility rated	Amount in Crs		Tenure	Previous Rating (November 2016)	Present Rating
	Previous Limits	Present Limits			
FUND BASED:					
Open Cash Credit(Renewal)	2.00	2.00*	Long Term	BWR BB (Pronounced as BWR Double B) Outlook : STABLE	BWR BB- (Pronounced as BWR Double B minus) Outlook : STABLE Downgraded
Book Debts(Sublimit)	(1.20)	(1.20)			
NON - FUND BASED: ILC/FLC/LOU	38.00	25.00	Short term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) Reaffirmation
TOTAL	40.00	27.00	INR Twenty Seven Crores Only		

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

Rating Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY17, projected financial of FY18 publicly available information and information/clarifications provided by the firm.

The ratings downgrades factors SLSM's Modest scale of operations , high operating cycle, working capital intensive operations and vulnerability of the profit margins to volatility in timber prices/exchange rates and intense competition in the industry. However, the rating draws comfort from extensive industry experience of the promoters in timber business, established relationship with customers and suppliers, moderate gearing and net worth. Going ahead, the ability of the



firm to improve profitability margins and capital base further, to mitigate forex risks and to manage its working capital cycle will remain key rating sensitivities.

Rating Outlook: Stable

BWR believes that **Sri Laxmi Saw Mill**'s 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:

- The firm is in existence of more than a decade with established track record in the business implies the firm's ability to sustain with external factors.
- The partner's experience of over three decades and healthy relations with suppliers (in Myanmar, Indonesia, Africa) and timber dealers and traders in Tamil Nadu should continue to support the business.
- SLSM's moderate Networth as on 31.03.2017 is Rs.9.26 crs and gearing stood at 0.73 times in fiscal FY17.
- Moderate scale of operations with the revenue of Rs.70.46 crs in FY17 as compared to Rs.63.63 crs in FY16.
- The operating cycle of the firm stood high primarily on account of high receivable/ payable days owing to high proportion of LC-backed creditors since the firm purchases mostly through imports backed by LC.
- The timber trading sector is highly competitive, comprising a large number of players in the organized segment as a result of low entry barriers

About the Company

Sri Laxmi Saw Mill was established as a partnership firm in the year 1999 at Pondicherry. The firm is engaged in trading and processing of imported timber. The types of timber that are imported by the firm are Teak, Padouk, Kwilla, Pyinkado and other Hardwood Species and the firm supplies the logs to timber trading companies, construction companies, packing industry, wholesalers and furniture manufactures, the firms target customers. The firm has own Saw Mill and produces flats and sizes as per the customers' requirement.

Company Financial Performance

SLSM has reported a profit after tax (PAT) of Rs.0.53 crs. on Net Sales of Rs.70.46 crs.for FY17 as against profit after tax (PAT) of Rs.0.51 crs. on Net Sales of Rs.63.63 crs for FY16. As



confirmed by the firm, the revenue achieved from April'16 to Dec'16 is Rs.39.87crores. Tangible net worth stood as on March 31, 2017 was Rs.9.26 crs. Debt-Equity stood at 0.73 times in FY17.

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	2017	17 Nov, 2016	2015
1	Open Cash Credit	Long Term	2.00	BWR BB- (Outlook: Stable) Downgraded	NIL	BWR BB (Outlook: Stable)	NIL
2	ILC/FLC/IOU	Short Term	25.00	BWR A4 Reaffirmed		BWR A4	
	Total		27.00	INR Twenty Seven Crores only			

Status of non-cooperation with previous CRA (if applicable) –Not Applicable
Any other information: Not Applicable

Key Financials:

Particulars	FY16 Audited	FY17 Audited
Net Revenue (Rs.Crs)	63.63	70.46
EBITDA (Rs.Crs)	0.79	1.51
PAT (Rs.Crs)	0.51	0.53



Tangible Net Worth (Rs.Crs)	7.89	9.26
Total Debt/TNW (Times)	0.84	0.73
Current Ratio (Times)	1.24	1.18

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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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



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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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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