

Rating Rationale

Sri Renga Timbers

13 September 2017

Brickwork Ratings Upgrades Ratings for the Bank Loan Facilities of Rs.14.30 Crs of Sri Renga Timbers

Particulars

Facility	Previous Rated Amount (₹ Crs)	Present Rated Amount (₹ Crs)	Tenure	Previous Rating	Present Rating
<u>Fund Based</u> Cash Credit	2.00	2.00	Long Term	BWR B (Pronounced BWR B) Outlook: Stable	BWR B+ (Pronounced BWR B Plus) Outlook: Stable Upgrades
Cheque Purchase	0.30	0.30	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) Reaffirmation
<u>Non Fund Based</u> ILC / FLC / BG	12.00	12.00			
Total	14.30	14.30		(INR Fourteen crores and thirty lakhs Only)	(INR Fourteen crores and thirty lakhs Only)

Note: The concern also has other non-fund based limits such as IBN of Rs. 2.00 Crs and Forward Contract Limit of Rs. 12.00 Crs, which are not rated by BWR.

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY16, Provisional for FY17 and Projections up to FY18 of Sri Renga Timbers, publicly available information and information/clarification provided by the company.

The rating draws strength from the extensive experience of the promoter in processing and trading of timber, established relationship with customers and suppliers and substantial improvement of revenue during FY 17.

The rating is, however, constrained by the concern's small scale of operations, Low Tangible Net-worth considering years of existence of the concern, exposure to unfavorable changes in policies of timber exporting countries, high degree of leverage coupled with weak debt protection metrics as well as high inventory level which is an inherent feature of timber processing industry. Going forward, the concern's ability to scale up its operations, improve profit margins, strengthen its capital structure and efficient management of working capital will be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the **Sri Renga Timbers** 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 Renga Timbers (SRT) is a proprietorship concern established in the year 2002. Mr. Santhanakrishnan Renganathan is the sole proprietor of the concern. The concern's factory is located in Cuddalore, Tamil Nadu, with two branch offices in Chidambaram and Karaikal. The concern is engaged in offering a wide range of products which includes Timber, Timber Logs & Sizes, Burma Teak, Nigerian Teak, Padak Teak, Benin Teak etc. Mr. Santhanakrishnan Renganathan is the sole proprietor of the concern. He is from Chidambaram, Tamil Nadu. He has more than two decades of experience in the family run business of timber processing and trading. The proprietor is engaged in the day to day activity of the concern.

Financial Performance

As per Financial Statement of FY17, Total Operating Income is ₹46.29 Cr, Net profit of the company is ₹0.40 Cr and The company net worth stands at ₹2.71 Cr.

Key Financial Indicators

Particulars	FY14 (Actuals)	FY15 (Actuals)	FY16 (Actuals)	FY17 (Provisional)
Total Income (In Crs)	33.18	48.27	41.04	46.29
EBIDTA (In Crs)	0.90	0.67	0.37	0.66
PAT (In Crs)	0.35	0.41	0.36	0.40
Net worth (In Crs)	1.53	1.94	2.30	2.71
Current Ratio (Times)	1.17	1.04	1.33	1.36

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

Sl. No.	Instrument /Facility	Rating History						
		Type (Long Term/Short Term)	Previous Rated Amount (Rs Crs)	Present Rated Amount (Rs Crs)	Rating	2016	2015	2014
1.	Cash Credit	Long Term	2.00	2.00	BWR B+	BWR B	BWR B	NA
2.	Cheque Purchase	Short Term	0.30	0.30	BWR A4	BWR A4	BWR A4	
3.	ILC / FLC / BG		12.00	12.00				
Total Amount to be Rated			14.30	14.30 (Fourteen Crores and Thirty Lakhs only)				

Hyperlink/Reference to applicable Criteria

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

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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 ₹ 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.

DISCLAIMER

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