

Rating Rationale

Sri Vishnu Timber

12th October 2017

Brickwork Ratings reaffirms the long term rating and short term rating for the Bank Loan Facilities of Rs. 30.50 Crs of Sri Vishnu Timber.

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based					
Cash Credit	3.00	4.50	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable (Reaffirmed)
Working Capital Demand Loan	0.00	4.00			
Non Fund Based					
FLC/FCL/BG/ILC	26.00	22.00	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) (Reaffirmed)
Total	29.00	Rs. 30.50 Crores (Rupees Thirty Crores and Fifty Lakhs Only.)			

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

Rating: Reaffirmed

Brickwork Ratings reaffirmed the long term rating of ‘BWR BB-’ and short term rating of ‘BWR A4’ for the bank loan facilities of Rs. 30.50 Crores of Sri Vishnu Timber.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has factored, inter alia, proprietors’ experience of nearly three decades, long existence of the firm for 16 years and financial support from family members and sister concerns. However the rating is constrained by high gearing, low tangible net worth, foreign exchange risk, high degree of competition and limitation of its constitution being proprietorship concern. Going forward, ability of the firm to scale up its operations, to improve its profit margins and to improve its gearing will remain the key rating sensitivities.



Rating Outlook: Stable

BWR believes that the business risk profile of Sri Vishnu Timber 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.

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)

Key Rating Drivers

Credit Strengths

- **Experienced Proprietor:** The Proprietor of the firm has nearly three decades of experience in timber trading business.
- **Long Existence of the Firm:** The firm is in existence for 16 years with satisfactory business history.

Credit Weaknesses

- **Low tangible net worth:** In spite of long existence of the firm, it has very low tangible net worth of Rs. 1.47 Crores as on March 31, 2016.
- **Exposure to foreign exchange risk:** The firm is exposed to foreign exchange risk as it is importing timber from countries like Singapore, New Zealand, Belgium, etc.
- **High Degree of Competition:** High degree of competition from other organized and unorganized players in the industry.
- **Limitation of Constitution:** Limitations of proprietorship concern in terms of capital and management.

About the Firm

Sri Vishnu Timber is a proprietorship concern established in 2001 at Dindigul, Tamil Nadu. Mr. H Purushothaman is the proprietor of the firm and has more than 28 years of experience in timber trading business. The firm is engaged in importing and trading of wooden logs (timber) namely Teak, Pine, Padauk, etc. The firm is importing timber (Wooden Logs) from countries like New Zealand, Singapore, Belgium, etc. The firm sells the timber domestically to wholesalers, saw mills and wooden product manufacturers. The firm has sister concerns namely Sri Ram & Company, Sri Ram Saw Mill, Sree Bhagvan Enterprises, Shree Srinivasa Tex, Sri Annalakshmi Spinning Mill Pvt Ltd, and Sri Ganesh Saw Mill which are also into timber trading and processing line of business.

Firm's Financial Performance

The firm has registered net sales of ₹ 89.08 Cr in FY16 as against ₹ 84.89 Cr in FY15. The firm has reported operating profit margin of 3.42% and net profit margin of 0.59% in FY16 as against operating profit margin of 3.23% and net profit margin of 0.57 % in FY15. Total debt to tangible net worth of the firm was 11.80 times in FY16 as compared to 12.59 times in FY15. The tangible net worth of the firm stood at ₹ 1.47 Cr as on March 31, 2016.

On provisional basis, the firm has achieved net sales of ₹ 86.74 Cr in FY17.

Parameters	31-Mar-2015	31-Mar-2016	31-Mar-2017
	(Audited)	(Audited)	(Provisional)
Net Sales (Rs. Crores)	84.89	89.08	86.74
EBIDTA (Rs. Crores)	2.75	3.05	2.1
PAT (Rs. Crores)	0.48	0.52	0.60
Tangible Networth (Rs. Crores)	1.28	1.47	1.91
Total Debt : TNW (Times)	12.59	11.80	14.79
Current Ratio (Times)	1.37	1.34	1.95

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

Sl. No.	Instrument/ Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs. Crs)	Rating	2016	20 Oct 2015	2014
1	Cash Credit	Long Term	4.50	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable Reaffirmed	--	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	--
2	Working Capital Demand Loan	Long Term	4.00		--		--
3	FLC/FCL/BG/ILC	Short Term	22.00	BWR A4 (Pronounced as BWR A Four) Reaffirmed	--	BWR A4 (Pronounced as BWR A Four)	--
Total			Rs. 30.50 Crores (Rupees Thirty Crores and Fifty Lakhs Only.)				



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 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.

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