

## Sumanglam Wood Products (India) Private Limited

Instrument	Amount	Rating Action
<b>Union Bank of India</b>	<b>In Rs. Crore</b>	<b>As on September 2016</b>
Fund Based Limits- Long Term	6.00	[ICRA]B-; reaffirmed
Non Fund Based Limits- Short Term	10.00	[ICRA]A4; reaffirmed
<b>Total</b>	<b>16.00</b>	

ICRA has reaffirmed its long-term rating on the Rs. 6.00 crore<sup>1</sup> fund based bank facilities of Sumanglam Wood Products (India) Private Limited (SWPL)<sup>2</sup> at [ICRA]B- (pronounced ICRA B minus). ICRA has also reaffirmed its short-term rating at [ICRA]A4 (pronounced ICRA A four) on the Rs. 10.00 crore non fund based bank facilities of SWPL.

ICRA's rating reaffirmation takes into account the decline in the company's operating and net profit margins in FY2016 on account of the highly competitive nature of the timber industry. ICRA's ratings also factor in the vulnerability of the company's profitability to changes in raw material prices and adverse foreign exchange fluctuations, in the absence of any firm hedging mechanism. ICRA's ratings also take into account the working capital intensive nature of SWPL's operations, and the company's reliance on bank borrowings for funding the working capital requirements. Heavy reliance on external debt and declining profitability have resulted in a highly leveraged capital structure, with gearing of 3.55 times in FY2016, and weak coverage indicators with interest coverage of 1.21 times. Nevertheless, the ratings derives comfort from significant experience of the management in the timber industry and the company's diverse client base, consisting of a large number of clients including government entities and players from industries such as real estate, packaging, construction, etc.

Going forward, the company's ability to register growth in revenues, improve its profitability and optimally manage its working capital cycle will be the key rating sensitivities.

### Company Profile

SWPL trades in lumber and chemicals like Ethyl Vinyl Acetate (EVA), and manufactures packing boxes and pallets, with trading of timber contributing to ~90% of its total revenues. SWPL primarily imports timber from New Zealand and South Asian and African countries.

### Recent Results

SWPL, reported a net profit of Rs. 0.24 crore on an operating income of Rs. 29.34 crore for FY2016, as compared to a net profit of Rs. 0.15 crore on an operating income of Rs. 19.66 crore for the previous year.

**September 2016**

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



*For further details, please contact:*

*Analyst Contacts:*

**Mr. Sabyasachi Majumdar** (Tel. No. +91 124 4545304)  
sabyasachi@icraindia.com

**Manish Ballabh** (Tel. No +91 124 4545 812)  
manish.ballabh@icraindia.com

**Asmita Pant** (Tel. No +91 124 4545 330)  
asmita.pant@icraindia.com

**Vipin Jindal** (Tel. No +91 124 4545 355)  
vipin.jindal@icraindia.com

*Relationship Contacts:*

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500