

March 16, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.80	SMERA B/Stable (Assigned)
FLC/FCL/BG	8.00*	SMERA A4 (Assigned)

**Includes ILC as a sublimit to the extent of Rs.2.00 crore*

SMERA has assigned ratings of '**SMERA B' (read as SMERA single B)** to the Rs.1.80 crore long-term bank facility and '**SMERA A4' (read as SMERA A four)** to the Rs.8.00 crore short-term bank facility of Sri Murugan Firms (SMF). The outlook is '**Stable**'. The ratings are supported by the firm's experienced management. However, the ratings are constrained by the firm's small-scale operations. The ratings note that the firm faces intense competition from several players in the timber trading business. The ratings are also constrained by the firm's working capital-intensive operations and weak financial risk profile.

SMF, established in 2003, is a Tamil Nadu-based partnership firm engaged in trading of timber. SMF benefits from its experienced management. The partners of the firm have around ten years of experience in the timber trading business.

SMF has small-scale operations with operating income of Rs.12.76 crore in FY2013-14 (refers to financial year, April 01 to March 31). The firm faces intense competitive pressure on account of the low entry barriers in the timber trading business. SMF's operations are working-capital-intensive on account of stretched collection period and high inventory levels. The firm's working capital cycle is stretched at 224 days in FY2013-14. SMF's weak financial risk profile is reflected in low operating profit margin of 1.81 per cent and muted return on capital employed (RoCE) of 4.07 per cent in FY2013-14.

Outlook: Stable

SMERA believes SMF will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm achieves sustained improvement in working capital management. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile and working capital management.

About the firm

SMF, established in 2003, is a Tamil Nadu-based partnership firm engaged in import of round timber logs, which are sawn and sized as per the requirements of the customers. SMF's sawmill is located in Shencottah (Tirunelveli district), 110 kilometres away from the Tuticorin port.

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For FY2013-14 SMF registered profit after tax (PAT) of Rs.0.22 crore on operating income of Rs.12.76 crore, as compared with PAT of Rs.0.25 crore on operating income of Rs.0.25 crore in FY2012-13. The firm's net worth stood at Rs.4.60 crore as on March 31, 2013, as compared with Rs.3.62 crore a year earlier.

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