

April 08, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.00	SMERA B/Stable (Assigned)
Cash Credit (proposed)	0.50	SMERA B/Stable (Assigned)
Foreign Letter of Credit	6.00*	SMERA A4 (Assigned)

**Includes Bank Guarantee as a sublimit to the extent of Rs.3.00 crore*

SMERA has assigned ratings of '**SMERA B** (read as SMERA single B)' to the Rs.1.50 crore long-term bank facilities and '**SMERA A4**' (read as SMERA A four) to the Rs.6.00 crore short-term bank facility of The Royal Timbers (TRT). The outlook is '**Stable**'. The ratings are supported by the firm's experienced management and moderate financial risk profile. However, the ratings are constrained by the firm's small-scale operations and working capital-intensive business. The ratings are also constrained by the firm's exposure to intense competition in the timber trading business.

TRT, established in 1987, is a Tamil Nadu-based partnership firm engaged in trading of timber. TRT benefits from its experienced management. The partners of the firm have around two decades of experience in the timber trading business. TRT's moderate financial risk profile is reflected in comfortable operating margin of 9.32 per cent and healthy return on capital employed (RoCE) of 25.19 per cent in FY2013–14 (refers to financial year, April 01 to March 31).

TRT has small-scale operations with operating income of Rs.4.97 crore in FY2013–14. The firm's operations are working capital-intensive with gross current assets of 332 days, collection period of 102 days and inventory levels of 71 days in FY2013–14.

Outlook: Stable

SMERA believes TRT 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 registers strong growth in operating income while achieving sustained improvement in working capital management. The outlook may be revised to 'Negative' in case of decline in the firm's operating income and profit margins, or in case of deterioration in the firm's working capital management.

About the firm

TRT, established in 1987, is a Tamil Nadu-based partnership firm promoted by Mr. V. V. Kumaravelu V and Mrs. Niraimathi. TRT is engaged in import of round timber logs, which are sawn and sized as per the requirements of the customers.

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For FY2013-14, TRT registered profit after tax (PAT) of Rs.0.22 crore on operating income of Rs.4.97 crore, as compared with PAT of Rs.0.31 crore on operating income of Rs.8.96 crore in FY2012-13. The firm's net worth stood at Rs.0.86 crore as on March 31, 2014, as compared with Rs.1.04 crore a year earlier.

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