

August 31, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.00	SMERA B-/Stable (Assigned)
Letter of Credit	9.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B-**' (**read as SMERA single B minus**) to the Rs.1.00 crore long-term (fund based) bank facility and '**SMERA A4**' (**read as SMERA A four**) to the Rs.9.00 crore short-term (non-fund based) bank facilities of M.K.V.K Timbers and Saw Mills (MKVKTSM). The outlook is '**Stable**'. For arriving at the ratings, SMERA has consolidated the business and financial risk profiles of M.K.V.K Timbers and saw mills (MKVKTSM) and M.K.V. Kandasamy Nadar firm (MKVKN); together referred to as the 'M.K.V.K. Group'. The consolidation is in view of the common ownership and similar business models of the entities. The ratings are constrained by the group's weak financial profile. The ratings are also constrained by the susceptibility of the group's profit margins to volatility in raw material prices. The ratings note that the group faces intense competition in the timber trading business. However, the ratings are supported by the group's experienced management.

Rating Sensitivity Factors

- Deterioration in working capital management
- Any future capital expenditure and its funding pattern
- Decrease in revenue and profitability

Outlook: Stable

SMERA believes M.K.V.K. Group will maintain a stable business risk profile over the medium term. The group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group registers strong growth in revenues and cash accruals while achieving significant improvement in financial profile. The outlook may be revised to 'Negative' in case of deterioration in the group's profitability and financial risk profile.

About the firm

MKVKTSM, established in 1950, is a Pavoorchatram-based firm engaged in trading of wooden logs. MKVKTSM is a part of the M.K.V.K. Group.

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M.K.V.K. Group, established in 1950, is a Pavoorchatram-based group engaged in trading of wooden logs.

For FY2013-14, M.K.V.K. Group reported net profit after tax (PAT) of Rs.0.07 crore on total income of Rs.21.11 crore, as compared with PAT of Rs.0.09 crore on total income of Rs.24.25 crore in

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FY2012-13. M.K.V.K. Group's net worth stood at Rs.1.50 crore as on March 31, 2014, as compared with Rs.1.36 crore a year earlier.

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