

March 08, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.25	SMERA B+ /Stable (Assigned)
Letter of Credit	10.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B+**' (read as **SMERA B plus**) to the Rs.1.25 crore long-term (fund-based) bank facility and '**SMERA A4**' (read as **SMERA A four**) to the Rs.10.00 crore short-term (non-fund based) bank facility of Shiv Gorakh Timber Private Limited (SGTPL). The outlook is '**Stable**'. The ratings are constrained by weak financial risk profile marked by low profitability profile and low scale of operations. The ratings are further constraint on account of working capital intensive nature of business amidst intense competition in the timber industry. The aforementioned weaknesses are partially offset by the company's experienced management and healthy relations with customers and suppliers.

The company has interest bearing unsecured loans from promoters, friends and relatives worth Rs.1.46 crore in FY2014-15 that are subordinated to bank debt. SMERA has treated such unsecured loans as quasi-equity.

Outlook: Stable

SMERA believes SGTPL will maintain a stable business risk profile over the medium term owing to the established operations and experienced management. The outlook may be revised to 'Positive' in case of sustainable improvement in revenue and profitability profile. Conversely, the outlook may be revised to 'Negative' if the company's financial risk profile deteriorates.

About the Company

The Karnal-based, SGTPL was established in 2010 by Mr. Devender Mittal. The company is engaged in the trading of timber. It procures wood logs from Malaysia, Canada, Germany and USA and converts them into usable form to sell the same across India. The company's offices are located at Karnal, Kotkapura (Punjab) and Gandhidham.

For FY2014-15, SGTPL reported profit after tax (PAT) of Rs.0.06 crore on operating income of Rs. 25.94 crore, as compared with PAT of Rs.0.07 crore on operating income of Rs.19.45 crore in FY2013-14. The company's net worth stood at Rs.3.15 crore as on March 31, 2015, as compared with Rs.2.73 crore a year earlier.

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SMERA RATINGS LIMITED

Shiv Gorakh Timber Private Limited (SGTPL)

*Rating
Rationale*

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