

April 21, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	9.75	SMERA BB-/Stable (Assigned)
Proposed Fund Based Facility	0.25	SMERA BB-/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) to the Rs.10.00 crore bank facilities of Karpagavinayaga and Company (KC). The outlook is '**Stable**'. The rating derives comfort from the group's experienced management, established market presence and moderate financial risk profile. The rating also derives comfort from the group's healthy revenue growth and comfortable operating margins. However, the ratings are constrained by company's exposure to intense competition persistent in the timber industry and working capital intensive nature of operations.

To arrive at the ratings, SMERA has consolidated the business and financial profile of four entities namely Karpagavinayaga and Company, Balaji Associates, Surya Agencies and Vasani Wood Works together referred to as the Prabhat Group of Companies. The consolidation is due to the common management apart from the operational and financial synergies within the group.

Outlook: Stable

SMERA believes that the firm will continue to benefit over the medium term from the promoters' extensive experience in the timber trading business. The outlook may be revised to 'Positive', if the firm sustains healthy profitability with effective working capital management. Conversely, the outlook may be revised to 'Negative' if there is a significant decline in the firm's revenue or profit margins. The outlook may also be affected by a major deterioration in the firm's financial risk profile.

Rating Sensitivity Factors

- Healthy revenue momentum with healthy profitability
- Effective working capital management
- Future capex plan and its funding

About the Firm

KC, a part of Prabhat Group of Companies, is a Tamil Nadu based partnership firm established in 2011. The firm engaged in processing and trading of timber. The day to day operations of the firm are managed by Mr. Narshi S. Patel and Mr. Ankitkumar N. Patel, the partners of the firm.

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SMERA RATINGS LIMITED

Karpagavinayaga and Company (KC)

Rating Rationale

For FY2014-15, Balaji Associates reported profit after tax (PAT) of Rs.0.89 crore on operating income of Rs.126.81 crore, as compared with PAT of Rs.0.61 crore on operating income of Rs.119.58 crore for FY2013-2014.

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