

Patel Timber Corporation: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	4.25	SMERA B/Stable(Assigned)
Foreign Letter of Credit/Inland Letter of Credit	2.50	SMERA A4 (Assigned)
Inland Letter of Credit	2.00	SMERA A4 (Assigned)
Foreign Letter of Credit	2.00	SMERA A4 (Assigned)

SMERA has assigned a long term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.10.75 crore bank facilities of Patel Timber Corporation (PTC). The outlook is '**Stable**'.

The ratings are constrained by the modest scale of operations in a highly competitive and fragmented timber industry. The ratings also factor in the weak financial risk profile and exposure to fluctuations in foreign exchange rates. However, the ratings draw support from the extensive experience of the partners and long track record of operations.

PTC's modest scale of operations is marked by revenue of Rs.11.68 crore in FY2015-16 (Provisional) as compared to Rs.10.40 crore in FY2014-15. The firm faces intense competition in the fragmented timber industry. The weak financial risk profile is marked by moderate gearing of 2.53 times in FY2015-16 (Provisional) against 2.72 times a year earlier. The firm has low interest coverage ratio of 1.21 times during FY2015-16 (Provisional) as compared to 1.27 times during FY2014-15. The net profit margin is low at 0.56 per cent in FY2015-16 (Provisional) against 0.59 per cent a year earlier. The firm is exposed to foreign exchange fluctuation risk as it imports timber from countries such as Burma and Taiwan.

However, the ratings draw support from the experience of the promoters. Mr. Devjibhai Patel, possesses experience of around two decades in timber trading.

Rating Sensitivity Factors

- Improvement in revenue
- Maintaining profitability profile

Outlook-Stable

SMERA believes that PTC will maintain a stable outlook in the medium term and benefit from its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also maintaining operating profitability and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability amidst intensifying competition in its area of operations. Any deterioration in the financial risk profile owing to higher-than-expected increase in debt-funded capex or working capital requirements may also entail a 'Negative' outlook.

Criteria applied to arrive at the ratings:

- Trading Entities

About the Firm

PTC, a Bangalore-based partnership firm, was established in 1996 by Mr. Devjibhai Patel and Mrs. Vasantiben Patel. The firm is engaged in the processing and trading of timber. The day-to-day operations are headed by Mr. Devjibhai Patel. The firm procures around 80 per cent of raw material from Burma and Taiwan and sells its products to local furniture manufacturers.

For FY2015-16 (Provisional), the firm reported (profit after tax) PAT of Rs.0.07 crore on operating income of Rs.11.68 crore, as compared with PAT of Rs.0.06 crore on operating income of Rs.10.40 crore in FY2014-15. The net worth stood at Rs.1.58 crore as on March 31, 2016 against Rs.1.55 crore a year earlier.

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ABOUT SMERA

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