



SMERA RATINGS LIMITED

Saraswathy Timbers and Saw Mills (STSM)

*Rating
Rationale*

March 24, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.00	SMERA B/Stable (Assigned)
Bill Discounting	0.10	SMERA A4 (Assigned)
Letter of Credit	8.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B**' (read as **SMERA single B**) to the Rs.1.00 crore long-term (fund based) bank facility and '**SMERA A4**' (read as **SMERA A four**) to the Rs.8.10 crore short-term (non-fund based) bank facilities of Saraswathy Timbers and Saw Mills. The outlook is '**Stable**'. For arriving at the ratings, SMERA has consolidated the business and financial risk profiles of M.K.V. Kandasamy Nadar (MKVKN), M.K.V.K. Timber Industries (MKVKTI), Saraswathy Timber and Saw Mills (STSM) and Samy Saw Mills (SSM); 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.

M.K.V.K. Group, established in 1989, is a Pavoorchatram-based group engaged in trading of wooden logs. M.K.V.K. Group's weak financial profile is reflected in high leverage of 2.16 times as on March 31, 2014 and low Interest coverage of Rs.1.32 times in FY2012-13 (refers to financial year, April 01 to March 31). The group's utilisation of working capital limit was high at ~98 per cent during November 2014 to December 2014. M.K.V.K. Group's profit margins are highly susceptible to volatility in material (wooden logs) prices. The group faces intense competition from several players in the timber trading business.

M.K.V.K. Group benefits from its experienced management. Mr. M.K.V.K. Paulrajan, partner of the M.K.V.K. Group, has around two decades of experience in the timber industry.

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.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



SMERA RATINGS LIMITED

Saraswathy Timbers and Saw Mills (STSM)

*Rating
Rationale*

About the firm

STSM, established in 1993, is a Pavoorchatram-based firm engaged in trading of wooden logs. STSM is a part of the M.K.V.K. Group.

About the group

M.K.V.K. Group, established in 1989, 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.0.55 crore on total income of Rs.39.57 crore, as compared with PAT of Rs.0.66 crore on total income of Rs.42.73 crore in FY2012–13. M.K.V.K. Group's net worth stood at Rs.8.68 crore as on March 31, 2014, as compared with Rs.8.19 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in Web: www.smera.in	Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.