

**February 02, 2016**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.90	SMERA B/Stable (Reaffirmed)
Foreign Letter of Credit*	7.00	SMERA A4 (Reaffirmed)
Bank Guarantee#	0.20	SMERA A4 (Assigned)

*\*includes sublimit of Inland Letter of Credit of Rs. 3.00 crore*

*# includes sublimit of cheque purchase of Rs.0.10 crore*

SMERA has assigned short-term rating of '**SMERA A4' (read as SMERA A four)** to the Rs.0.20 crore short term (non-fund based) bank facility and reaffirmed the long term rating of '**SMERA B' (read as SMERA B)** and short term rating of '**SMERA A4' (read as SMERA A four)** of the abovementioned bank facility of Saraswathy Timbers and Saw Mills (STSM). The outlook is '**Stable**'.

To arrive 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 as 'MKVK Group'. The consolidation is in the view of the common ownership and similar business models of the companies.

The rating continues to be constrained by the susceptibility of the group's profit margins to volatility in raw material prices, weak financial risk profile and stiff competition in the timber industry. However, the ratings are supported by the group's experienced management.

### Update

The group continues to benefit from the experienced management. Mr. Paulrajan, Partner has around two decades of experience in the timber trading business. The MKVK group has a weak financial risk profile marked by high total outside liability to total net worth (TOL/TNW) of 2.36 times in FY2015 and weak interest coverage and net cash accruals to total debt (NCA/TD) of 1.15 times and 0.03 times, respectively as on March 31, 2015.

However, on the business front, the scale of operations continues to remain modest evident from the operating income of Rs.35.90 crore in FY2015, which has grown by -9.28 per cent in comparison to Rs.39.57 crore in FY2014.

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### Outlook: Stable

SMERA believes that the MKVK Group will maintain a stable business risk profile over the medium term owing to 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 the financial profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the group's profitability and financial risk profile.

### About the Firm

STSM; established in 1993, is part of the MKVK Group and engaged in the trading of wooden logs. The firm is located at Pavoorchatram, Tamil Nadu.

### About the Group

MKVKN, established in 1989, is Tamil Nadu-based group engaged in trading of wooden logs.

For FY2014-15, the MKVK Group reported profit after tax (PAT) of Rs.0.56 crore on operating income of Rs.35.90 crore, as compared with PAT of Rs.0.59 crore on operating income of Rs.39.57 crore in the previous year. The group's net worth stood at Rs.10.61 crore as on March 31, 2015, as compared with Rs.8.68 crore a year earlier.

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