

### Shanthi Wood Works: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	1.00	SMERA B/Stable (Assigned)
Letter of Credit	7.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B**' (read as SMERA B) and '**SMERA A4**' (read as SMERA A four) to the abovementioned bank facilities of Shanthi Wood Works (SWW). The outlook is 'Stable'.

The ratings are constrained by the firm's modest scale of operations in a highly fragmented timber industry, decline in operating profit margin due to forex fluctuation and working capital intensive business. However, the ratings draw comfort from the long track record of operations and absence of long term debt on books.

SWW, established as a partnership firm in 1985 is engaged in trading of timber at Bangalore. The firm operates at a modest scale with operating income of Rs.6.03 crore in FY2015-16. The operating profit margin declined from 4.51 per cent in FY2015 to 3.52 per cent in FY2016 due to loss of Rs.0.12 crore in FY2016 due to forex fluctuation. The operations of the firm are working capital intensive reflected in the Gross current asset days of 254 in FY2016. As informed by the banker, the firm working capital utilisation has been 80 per cent for the last six months.

However, the firm benefits from its long track record of operations. The firm has no long term or short term debt as on 31st March, 2016. The net worth stands at Rs.2.96 crore as on March 31, 2016.

#### Rating Sensitivity Factors

- Scaling up operations while maintaining profit margins
- Efficient working capital management

#### Outlook-Stable

SMERA believes that SWW will maintain a stable outlook in the medium term and continue to benefit from its long track record of operation. The outlook may be revised to positive if the scale of operations increases substantially while also maintaining operating profitability. Conversely, the outlook may be revised to negative if the firm fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded or working capital requirements.

#### Criteria applied to arrive at the rating:

- Trading Entities

#### About the Firm

Shanthi Wood Works was established as a partnership firm in 1985. The firm is engaged in the trading of timber in Bangalore, Karnataka. The managing partner of the firm is Mr. D. S. Patel.

For FY2015-16, SWW reported net profit of Rs.0.02 crore on operating income of Rs.6.03 crore, as compared with profit after tax of Rs.0.01 crore on operating income of Rs.2.22 crore in FY2014-15.

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