

April 12, 2013

Facilities	Amount (Rs. Crore)	Rating
Secured Overdraft	0.50	SMERA D
Letter of Credit	4.50	SMERA D

SMERA has assigned a rating of '**SMERA D**' (read as **SMERA D**) to the Rs. 0.50 crore long term facilities (fund based) and '**SMERA D**' (read as **SMERA D**) to the Rs. 4.50 crore short term facilities (non – fund based) of Senthil Kumaran Timbers (SKT). The ratings assigned to the bank facilities of Senthil Kumaran Timbers (SKT) are primarily constrained due to weak liquidity position and frequent over drawings in cash credit account, delay in payment of buyer's credit liability by one month, small scale of trading operations in a highly unorganized and fragmented wood & timber industry and supplier and geographic concentration risk. The rating is further constrained by weak financial risk profile marked by low net worth base, decrease in revenue, low profitability margins- which is mainly supported by non operating income in FY 2012, high collection and payable days and high gearing level. The above mentioned weaknesses are partially mitigated by experience of the promoters in the wood and timber industry.

SKT is a small player in a highly competitive wood and timber industry and has a track record of around 06 years in this industry. SKT is exposed to volatility in raw material prices with limited price flexibility due to intense competition. SKT has reported a year on year decline of 46% in its operating income in FY 2012 v/s FY 2011 i.e. from Rs. 9.12 crores to Rs. 4.97 crores. This decline is attributed to lesser orders from customers and unfavorable market conditions. The company has a weak financial risk position marked by high gearing level of 10.04 times as on 31/Mar/2012; additionally, instances of frequent over drawings in cash credit account, delay in payment of buyers' credit liability by one month and high collection and payable days of 152 and 203 days, respectively, were observed.

The company, however, benefits from the extensive experience of the promoters in the wood and timber industry.

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About Senthil Kumaran Timbers

SKT was established as a proprietorship concern in the year 2007. The regular business matters in the firm are managed by Mr. K. Murugan, proprietor, and Mr. Senthil Kumar, Manager.

The company is engaged in trading of wooden logs and timber which is mainly sold to local dealers and furniture companies in Tamil Nadu. Around 90% of wooden logs are purchased from Farlin Timbers PTE Limited (Singapore) and Farlin Timbers FZE (Dubai) and balance 10% is purchased from the local market.

SKT's warehouse is located in Krishnagiri, Tamil Nadu & earns all its revenues from the domestic market, primarily from Tamil Nadu.

For FY 2011-12, SKT reported a net profit of Rs. 0.04 crore on a total income of Rs. 4.97 crore, as against a net profit of Rs. 0.10 crore on a total income of Rs. 9.12 crore in FY 2010-11.

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