

December 09, 2013

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

SMERA has assigned ratings of '**SMERA B-**' (read as **SMERA B Minus**) to the Rs.1.00 crore long-term bank facilities and '**SMERA A4**' (read as **SMERA A Four**) to the Rs.8.00 crore short-term bank facilities of R. G. Timber Saw Mills (RGT). The outlook is '**Stable**'. The ratings are constrained by the firm's modest scale of operations, working capital-intensive business and weak debt protection metrics. The ratings are further constrained by the firm's exposure to intense competitive pressure, supply constraint risk and foreign exchange rate volatility. However, the ratings are supported by the firm's experienced management.

RGT, established in 2000, is a Tamil Nadu-based partnership firm engaged in trading of various types of timber including teak wood and pine wood. The firm imports round timber logs, which are subsequently sawn and sized into various sizes. RGT has a small scale of operations with total operating income of Rs.9.46 crore in FY2012-13 (refers to financial year, April 01 to March 31). RGT faces intense competition due to low entry barriers in the timber trading industry, which is highly fragmented by the presence of several players in the unorganised sector. RGT's operations are working capital-intensive owing to extended receivables period and high inventory levels. RGT's inventory holding period stretched from 58 days in FY2011-12 to 126 days in FY2012-13. The firm's TOL/TNW is high at 5.4 times as on March 31, 2013. RGT is exposed to foreign exchange fluctuation risk as the firm is entirely dependent on imports for procurement of round timbers. . The firm RGT is also exposed to the risk of unfavourable changes in deforestation and export policies of timber-exporting countries.

Mr. Ramasamy, Promoter of RGT, have more than 30 years in the timber trading industry. RGT benefits from its established relationships with suppliers based in Malaysia, Myanmar, Africa, Indonesia, and Singapore.

Outlook: Stable

SMERA expects RGT will maintain a stable business risk profile on the back of its experienced management. The outlook may be revised to 'Positive' in case of improvement in the firm's working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile on account of adverse movement in foreign exchange rates and higher-than-expected increase in debt-funded working capital requirements.

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About the firm

RGT, established in 2000, is a partnership firm promoted by Mr. K. Ramasamy. RGT is engaged in trading of timber. RGT has a sawing facility in Shencottah, Tirunelveli District —Tamil Nadu. The firm's proximity to the Tuticorin port facilitates import of timber.

For FY2012–13, RGT registered PAT of Rs.0.01 crore on revenue of Rs.9.46 crore, as compared with PAT of Rs.0.02 crore on revenue of Rs.9.17 crore for FY2011–12. The firm's net worth stood at Rs.1.71 crore as on March 31, 2013, as compared with Rs.1.43 crore a year earlier.

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