

August 06, 2014

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>6.00*</b>	<b>SMERA B-/Stable (Assigned)</b>
<b>Letter of Credit</b>	<b>16.00</b>	<b>SMERA A4 (Assigned)</b>
<b>Bank Guarantee</b>	<b>0.25</b>	<b>SMERA A4 (Assigned)</b>

\*Includes export packing credit as a sublimit to the extent of Rs.3.00 crore

SMERA has assigned ratings of '**SMERA B-**' (read as **SMERA single B minus**) and '**SMERA A4**' (read as **SMERA A four**) to the abovementioned bank facilities of Friends Timber Private Limited (FTPL). The outlook is '**Stable**'. The ratings are constrained by the company's modest operating scale, working capital-intensive operations and high leverage in an intensely competitive segment of the timber industry. The ratings are also constrained by the company's exposure to supply constraints which may arise on account of changes in deforestation regulations and trade policies of timber exporting counties. However, the ratings are supported by the company's long track record of operations and experienced management.

FTPL, incorporated in 1974, is a Nagpur-based company engaged in manufacturing and export of timber. FTPL's modest operating scale is reflected in total operating income of Rs.36.70 crore in FY2012-13 (refers to financial year, April 01 to March 31). The company's operations are working capital-intensive, as evidenced by high inventory holding of 296 days (provisional) in FY2013-14. Moreover, FTPL has stocked high level of inventory (financed through short-term bank borrowing) in FY2013-14. The company's ability to generate adequate cash accruals to repay short-term bank borrowings is a key rating sensitivity. FTPL's total leverage, indicated by total outside liabilities to tangible net worth (TOL/TNW) ratio, is high at ~11.99 times (provisional) as on March 31, 2014. The company faces intense competition from several players in the timber industry. FTPL's operations are susceptible to unfavourable changes in deforestation regulations and trade policies of timber exporting counties.

FTPL benefits from its experienced management. The directors of the company have around four decades of experience in the timber industry.

### Outlook: Stable

SMERA believes FTPL will maintain a stable business risk profile over the medium term. The company will benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability amidst intensifying competition in its area of operation, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

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### About the company

FTPL, incorporated in 1974, is a Nagpur-based company promoted by Mr. Anand Kumar Kohli, Mr. Sameer Jaiswal, Mr. Satish Jaiswal and Mr. Punit Kohli. FTPL is engaged in manufacturing and export of timber. The company imports timber logs, which are sawn and sized as per the requirements of the customers.

For FY2012-13, FTPL reported profit after tax (PAT) of Rs.0.66 crore on operating income of Rs.36.70 crore. The company's net worth stood at Rs.3.72 crore as on March 31, 2013, as compared with Rs.3.07 crore a year earlier. FTPL registered revenue of Rs.46.16 crore (provisional) in FY2013-14. The company's net worth stood at Rs.4.75 crore (provisional) as on March 31, 2014.

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