



SMERA RATINGS LIMITED

Podder & Podder Equipment and Project Private Limited (PPEPPL)

Rating
Rationale

April 13, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	12.50	SMERA BB/Stable (Assigned)
e-Direct Financing Scheme	7.50	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB**' (**read as SMERA double B**) and a short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the abovementioned bank facilities of Podder & Podder Equipment and Project Private Limited (PPEPPL). The outlook is '**Stable**'. The ratings are constrained by the decline in the company's revenues amidst slowdown in the infrastructure industry. The ratings are also constrained by the company's moderate financial risk profile. The ratings note that the company operates in a highly competitive business segment which is exposed to cyclicalities in the end-user industry. However, the ratings are supported by the company's established operations and moderate liquidity position. The ratings also draw comfort from the company's exclusive dealership and experienced management.

PPEPPL, established in 1989, is an Assam-based authorized dealer of construction and earthmoving equipment manufactured by JCB India Ltd. PPEPPL's revenue declined from Rs.117.38 crore in FY2012-13 to Rs.96.11 crore in FY2013-14 on account of slowdown in the infrastructure industry. The company has registered revenue of ~Rs.75.00 crore (provisional) during April 2014 to February 2015. PPEPPL faces intense competition from several players in the construction equipment industry. The company's operations are susceptible to the inherent cyclicalities in the infrastructure sector.

PPEPPL's moderate financial risk profile is reflected in low net worth of Rs.7.77 crore as on March 31, 2014. Further the company has significant financial exposure (~66 per cent of net worth) to its group entities. PPEPPL's interest coverage ratio is moderate at 1.85 times in FY2013-14. The company's working capital utilisation was moderate at ~71 per cent for the six months ended February 2015.

PPEPPL benefits from its experienced management. Mr. Mrinal Podder and Mr. Vivekanand Podder, directors of PPEPPL, have around 10 years of experience in the company's line of business. PPEPPL has exclusive distribution rights in Tripura, Meghalaya, and three districts of Assam (Cachar, Karimganj and Hailakandi).

Outlook: Stable

SMERA believes PPEPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established association with principal. The outlook may be revised to 'Positive' in case the company registers substantial

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growth in revenues with sustained improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the company's revenues and profit margins.

About the company

PPEPPL is an authorized dealer of construction and earthmoving equipment manufactured by JCB India Ltd. PPEPPL was established in 1989 as a partnership entity which was converted into a private limited company in 2008.

PPEPPL has showrooms-cum-workshops at Silchar (Assam), Shillong (Meghalaya) and Agartala (Tripura). The company also has accessories and spare parts shops in Karimganj (Assam), Khliehriat & Tura (Meghalaya) and Kumarghat & Udaipur (Tripura).

For FY2013-14, PPEPPL reported profit after tax (PAT) of Rs.1.08 crore on operating income of Rs.96.11 crore, as compared with PAT of Rs.1.33 crore on operating income of Rs.117.38 crore in FY2012-13. PPEPPL's net worth stood at Rs.7.77 crore as on March 31, 2014, as compared with Rs.6.70 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Cell: +91 9820808479 Email: antony.jose@smera.in Web: www.smera.in	Shripad Nande Manager – Corporate Ratings Tel: +91-22-6714 1329 Email: shripad.nande@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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