

Press Release

Podder & Podder Equipment and Project Private Limited

October 31, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (**read as SMERA BB**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 20.00 crore bank facilities of Podder & Podder Equipment and Project Private Limited. The outlook is '**Stable**'.

Podder & Podder Equipment & Project Private Limited (Podder & Podder) is an authorised dealer of construction and earthmoving equipments manufactured by JCB India Ltd. Established in 1989 as a partnership entity by Mr. Vivekanand Podder and Mr. Mrinal Kanti Podder, the firm was converted to a private limited company in 2008. The company has showroom-cum-workshops at Silchar (Assam), Shillong (Meghalaya) and Agartala (Tripura) and shops dealing in accessories and spare parts at Karimganj (Assam), Khliehriat, Tura (Meghalaya), Kumarghat and Udaipur (Tripura).

Key Rating Drivers

Strengths

• Experienced management

Podder & Podder was incorporated in 1989 by Mr. Mrinal Kanti Podder. The company deals in heavy earth moving and construction equipments of JCB. The Directors, Mr. Mrinal Podder and Mr. Vivekanand Podder possess experience of more than a decade in the construction equipment dealership industry.

• Moderate growth in revenues

The company registered consistent year-on-year revenue growth during the period under study. The revenue increased to Rs. 92.20 crore in FY2017 (Provisional), from Rs. 82.90 crore in FY2016 and Rs. 80.29 crore in FY2015 on account of increasing demand from the infrastructure industry.

• Moderate financial risk profile

The financial risk profile is moderate marked by networth of Rs.10.81 crore as on 31 March, 2017 (Provisional) as against Rs.9.73 crore as on 31 March, 2016. The gearing (debt-to-equity ratio) stood at 0.65 times as on 31 March, 2017 (Provisional) as against 0.83 times as on 31 March, 2016. The total debt of Rs. 7.07 crore consists of working capital borrowings. The interest coverage ratio (ICR) improved to 2.66 times in FY2017 (Provisional) from 2.11 times in FY2016. In FY2017, the net cash accruals to total debt (NCA/TD) stood at 0.17 times as against 0.15 times in FY2016.

• Authorised distributor of JCB India Limited

Podder & Podder is the sole authorised dealer of JCB India Limited in Tripura, Meghalaya and three districts of Assam namely Cachar, Karimganj & Hailakandi. The company undertakes distribution of construction equipments, heavy earthmoving equipments, sales of spares and servicing. The company has three showroom-cum-service centres and five stores for sale of spare parts.

- **Comfortable working capital cycle**

The company has comfortable working capital cycle marked by gross current assets (GCA) of 89 days in FY2017 and FY2016. This is on account of inventory holding of 55 days in FY2017 as against 62 days in FY2016 and debtors of 27 days in FY2017 and 15 days in FY2016.

Weaknesses

- **Declining margins**

The operating margins (EBIDTA) declined to 3 per cent in FY2017 (Provisional) from 3.77 per cent in FY2016. The net profit after tax (PAT) margins stood moderate at 1.18 percent in FY2017 (Provisional) as against 1.19 per cent FY2016.

- **Highly competitive automotive dealership industry**

The business risk profile is exposed to intense competition in the industry from established players including TATA, Komatsu, Caterpillar, Volvo, BEML among others.

- **Cyclicalities associated with end-user industries**

The construction equipment industry is driven by three sectors i.e construction, mining, and manufacturing. The company trades in earth moving equipments which are primarily driven by the mining and construction industries. This exposes Podder & Podder to cyclicalities in the end user industries.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook over the medium term owing to its established relationships with JCB India, and the promoters' extensive experience in the automotive dealership business. The outlook may be revised to 'Positive' in case of substantial and sustained improvement in revenues and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues, profitability deteriorating the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the company registered profit after tax (PAT) of Rs. 1.09 crore on operating income of Rs. 92.20 crore compared to PAT of Rs. 1.17 crore on operating income of Rs. 82.90 crore. The company's networth stood at Rs. 10.81 crore as on 31 March, 2017 (Provisional) as against Rs. 9.73 crore as on 31 March, 2016.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Sep-2016	Cash Credit	Long Term	INR 12.5	SMERA BB / Stable
	Inventory Funding	Short Term	INR 7.5	SMERA A4+
13-Apr-2015	Cash Credit	Long Term	INR 12.5	SMERA BB / Stable
	Inventory Funding	Short Term	INR 7.5	SMERA A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	SMERA BB / Stable
Channel/Dealer/Vendor Financing	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A4+

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Leena Gupta Analyst - Rating Operations Tel: 022-67141172 leena.gupta@smera.in	

ABOUT SMERA

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