



SMERA RATINGS LIMITED

Malpani Veneers Private Limited (MVPL)

*Rating
Rationale*

April 29, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	0.75	SMERA B/Stable (Assigned)
Letter of Credit	9.00	SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA B' (read as SMERA single B)** to the Rs.0.75 crore long-term (fund-based) bank facility and '**SMERA A4' (read as SMERA A four)** to the Rs.9.00 crore short-term (non-fund based) bank facility of Malpani Veneers Private Limited (MVPL). The outlook is '**Stable**'. The ratings are constrained by the company's small-scale operations, weak financial profile and working capital-intensive business. The ratings are also constrained by the company's exposure to intense competition in the timber industry. However, the ratings draw comfort from the company's experienced management and established relations with customers and suppliers.

MVPL, incorporated in 1997, is a Gujarat-based company engaged in manufacturing of veneer. MVPL has small-scale operations marked by operating income of Rs.9.85 crore (provisional) in FY2014-15 (Rs.17.85 crore in the previous year). The company's weak financial risk profile is reflected in high leverage (debt-equity ratio) of 1.92 times as on March 31, 2014 and moderate interest coverage ratio of 1.24 times in FY2013-14. MVPL's total debt of Rs.8.69 crore (as on March 31, 2014) includes subordinated unsecured loans of Rs.1.44 crore from related parties. SMERA has treated such unsecured loans as quasi-equity.

MVPL's operations are working capital-intensive with gross current assets (GCA) of 311 days and collection period of 171 days in FY2013-14. The company faces intense competition from several players in the timber industry.

MVPL benefits from its experienced management. Mr. Satish Malpani, director of MVPL, has around 35 years of experience in the timber industry. MVPL also benefits from its established relations with customers and suppliers.

Outlook: Stable

SMERA believes MVPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenue while achieving sustained improvement in profit margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile or working capital management.

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About the company

MVPL, incorporated in 1997, is a Gujarat-based company engaged in manufacturing of veneer. MVPL has production facilities in Kutch, Gujarat (near the Kandla Port).

For FY2013–14, MVPL reported profit after tax (PAT) of Rs.0.03 crore on operating income of Rs.17.85 crore, as compared with PAT of Rs.0.16 crore on operating income of Rs.11.62 crore in FY2012-13. The company's net worth stood at Rs.3.79 crore as on March 31, 2014, as compared with Rs.3.70 crore a year earlier.

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