

### Malpani Veneers Private Limited (MVPL): Downgraded

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	0.75	SMERA B-/Stable (Downgraded from SMERA B/Stable)
Letter of Credit	9.00	SMERA A4 ( Reaffirmed )

SMERA has downgraded the rating of the abovementioned Rs.0.75 crore long term (fund based) facilities to **'SMERA B-' (read as SMERA B minus)** from SMERA B (read as SMERA B) and reaffirmed the rating of **'SMERA A4' (read as SMERA A four)** on the Rs.9.00 crore short term (non-fund based) bank facility of Malpani Veneers Private Limited (MVPL). The outlook continues to remain **'Stable'**.

The rating downgrade is driven by decline in the operating income, losses at net level and high leverage. The downgrade also takes into account the high inventory holding period and exposure to intensive competition in the timber trading business. However, the ratings continue to draw support from the experienced management and strategic location of the processing unit.

#### Update

For FY2014-15 (refers to financial year, April 01 to March 31), MVPL registered net profit of Rs.0.14 crore on operating income of Rs.9.60 crore in contrast with net profit of Rs.0.03 crore on operating income of Rs.17.85 crore in FY2013-14. Despite increase in net profit, the operating income eroded due to continuation of ban on export of timber by Burma Government and non-acceptability of timber from other continents. The financial risk profile deteriorated marked by high leverage (debt-to-equity ratio) of 3.47 times in FY2014-15 as compared to 1.92 times in FY2013-14 (refers to financial year, April 01 to March 31). For FY2015-16, the company reported operating income of Rs.7.20 crore (Provisional).

The company's operations are working capital intensive marked by gross current asset (GCA) of 614 days in FY2014-15 against 311 days during the previous year. The high GCA days emanates from the high inventory holding and collection period of 229 days and 228 days respectively in FY2014-15, against 78 days and 171 days respectively during the previous year. SMERA also notes that the company is exposed to intense competition in the timber trading business.

MVPL benefits from its experienced management. Mr. Satish Malpani has over 25 years of experience in trading of timber. Further, the rating also draws support from the strategic location of the processing unit.

#### Outlook: Stable

SMERA believes that MVPL will maintain a stable outlook over the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case of significant and sustained improvement in operating income, profitability margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the revenue profile, lengthening of working capital cycle or debt funded capital expansion.

### Rating Sensitivity Factors

- Efficient working capital cycle
- Sustainable growth in revenue and profitability profile

### Criteria applied to arrive at the ratings:

- Manufacturing Entities

### About the Company

The Gujarat-based MVPL incorporated in 1997 by Mr. Malpani is engaged in the manufacture of veneer at Kutch, Gujarat.

For FY2014-15, the company reported net profit of Rs.0.14 crore on operating income of Rs.9.60 crore, as compared with profit after tax (PAT) of Rs.0.03 crore on operating income of Rs.17.85 crore in FY2013-14. For FY2015-16, the company booked revenue of Rs.7.20 crore (provisional). The net worth stood at Rs.2.46 crore as on March 31, 2015 as against Rs.3.79 crore a year earlier.

### Rating History

Date	Name of the Instruments	Amount	Ratings		Outlook
		(Rs. Crore)	Long Term	Short Term	
29 Apr, 15	Cash Credit	0.75	SMERA B (Assigned)	-	Stable
	Letter of Credit	9.00	-	SMERA A4 (Assigned)	-

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## ABOUT SMERA

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