



SMERA RATINGS LIMITED

Patel Veneers Private Limited (PVPL)

Rating
Rationale**September 21, 2015**

Facility	Amount (Rs. Crore)	Ratings
Cash Credit	0.80*	SMERA BB-/Stable (Assigned)
FBP/FBN	0.60	SMERA A4+ (Assigned)
Letter of Credit	4.00	SMERA A4+ (Assigned)
Bank Guarantee	0.02	SMERA A4+ (Assigned)
Proposed Bank Loan Facility	1.58	SMERA A4+ (Assigned)

*Includes packing credit as sublimit up to Rs. 0.40 crore

SMERA has assigned a long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.7.00 crore bank facilities of Patel Veneers Private Limited (PVPL). The outlook is '**Stable**'. The ratings derive comfort from the company's established operational track record, extensive experience of the promoters and diversified customer base. The ratings are also supported by the company's moderate debt protection metrics. However, the ratings are constrained by PVPL's small scale of operations, working capital intensive nature of business and the competitive nature of the wood industry.

Outlook: Stable

SMERA believes the outlook on PVPL will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of further improvement in the company's scale of operations, while maintaining profitability and efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in PVPL's financial profile.

Rating Sensitivity Factors

- Scaling of revenue while maintaining profit margins
- Efficient working capital management

About the Company

PVPL, incorporated in 1977 is a Cochin-based company promoted by Mr. Kantilal Patel and family. The company is engaged in the trading of hardwood timber and manufacturing of rosewood veneers. PVPL has its manufacturing unit in Kalamassery, Kerala and a trading division at Hubli, Karnataka.

For FY2013-14, the company reported profit after tax (PAT) of Rs.0.49 crore on operating income of Rs.18.10 crore as compared with PAT of Rs.0.63 crore on operating income of Rs. 19.53 crore for FY2012-13.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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