

Press Release

Pragya Wood Private Limited (PWPL)

March 22, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.5.00 Cr
Long Term Rating	SMERA B/Stable (Reaffirmed)

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B**' (**read as SMERA B**) on the Rs.5.00 cr bank facilities of Pragya Wood Private Limited (PWPL). The outlook is '**Stable**'.

Pragya Wood Private Limited (PWPL) was incorporated in 2008 by Mr. Vivek Patel and Mr. Kirti Patel. The company is engaged in the trading of timber.

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced management: PWPL was incorporated in 2008. The promoters, Mr. Vivek Patel and Mr. Kirti Patel possess over a decades experience in the timber industry.

Weaknesses:

Weak financial risk profile: The company has small scale of operations of Rs.17.53 cr in FY2015-16 against Rs.22.54 cr in FY2014-15. PWPL has high gearing (debt-to-equity) of 4.55 times as on 31 March, 2016 against 3.53 times in the previous year. The interest coverage ratio stood at 1.18 times in FY2015-16 against 1.37 times in FY2014-15. The net profitability margin declined to 0.42 percent in FY2015-16 against 0.48 percent in FY2014-15. The debt service coverage ratio stood at 1.12 times in FY2015-16 against 1.26 times in FY2014-15. PWPL has working capital intensive business with high working capital cycle (WCC) days at 131 in FY2015-16 against 75 days in FY2014-15.

Susceptibility of profit margins to raw material prices: The profit margins are susceptible to fluctuations in the raw material prices of timber.

Intense competition: The company faces intense competition from various players in India which is likely to impact operating performance and profitability.

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

Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that PWPL will maintain a stable outlook in the medium term owing to the established operations and long standing experience of the promoter. The outlook may be revised to 'Positive' in case of improvement in operations and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity

The Maharashtra-based, PWPL was incorporated in 2008 by Mr. Vivek Patel and Mr. Kirti Patel. The company is engaged in the timber business.

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.07 cr on operating income of Rs.17.53 cr, as compared with PAT of Rs.0.11 cr on operating income of Rs.22.54 cr in FY2014-15. The net worth stood at Rs.1.19 cr as on 31 March, 2016 against Rs.1.12 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017					FY2016		FY2015		FY2014	
	Scale	Amt. (Rs. Cr)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	5.00	SMERA B/ Stable (Reaffirmed)	April 11, 2016	SMERA B/ Stable (Assigned)	-	-	-	-	-	-

*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	N.A	N.A	N.A	5.00	SMERA B/Stable (Reaffirmed)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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