

Press Release

Poddar Mercantile Private Limited

April 07, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.20 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 12.20 crore bank facilities of Poddar Mercantile Private Limited. The outlook is '**Stable**'.

Poddar Mercantile Private Limited (PMPL) was established in 1999 by Mr. Poddar and family. The company is engaged in the manufacturing and export of HDPE (high density polyethylene) bags. About 90 percent revenue is generated from export to clients in Germany, Spain, Canada, West Indies and other European destinations with the rest sold in India (Kolkata and Tirupati).

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

PMPL was established in 1999 by Mr. Poddar and family. The Directors, Mr. Ashok Kumar Poddar and others have experience of almost two decades in the given line of business. The day-to-day operations are managed by Mr. Gaurav Gupta.

- **Reputed overseas clientele**

PMPL has a reputed client base and includes Harleem Tees LLC (USA), Prodinger (Germany), Lafepack SL (Spain), Sikand Plastic or Packing (Canada) to name a few with about 90 per cent revenues being generated from exports.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by low net worth base of Rs 6.72 cr in FY 2016. The company has moderate debt-equity of 1.71 times and comfortable interest coverage of 2.76 times as on 31st March, 2016. The DSCR stood comfortable at 2.23 times as on 31st March, 2016.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by gross current days of 114 in FY2016 as against 110 in FY2015. The inventory and debtor days stood at 16 and 25 respectively in FY2016. On an average, the company utilises 90 per cent of the packing credit limit.

- **Profitability is susceptible to volatility in raw material prices**

The margins of the company are susceptible to volatility in the prices of polystyrene, derived from crude oil. Changes in crude oil prices would have significant impact on the profitability.

Analytical Approach

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

Outlook: Stable

SMERA believes that PMPL will maintain a stable outlook in the medium term backed by its promoters' extensive experience and a reputed clientbase overseas. The outlook may be revised to 'Positive' if the company registers more than expected revenue while achieving better net profit margins. However, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenue, profitability or if the capital structure further deteriorates.

About the Rated Entity - Key Financials

For FY2016, PMPL reported profit after tax (PAT) of Rs. 0.83 cr on total operating income of Rs. 44.44 cr, as compared with PAT of Rs 0.07 cr on total operating income of Rs. 35.86 cr in FY2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	31-Dec-2019	1.61	SMERA BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.07	SMERA BB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.10	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.42	SMERA A4+

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