

Press Release

Pramukh Paper Products Private Limited

April 19, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 19.50 Cr.
Long Term Rating	SMERA B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B- (read as SMERA B minus)**' on the Rs. 19.50 crore bank facilities of Pramukh Paper Products Private Limited. The outlook is '**Stable**'.

Pramukh Paper Products Private Limited (PPPL), promoted by Mr. Arvind Patel is engaged in the manufacturing of paper products at Silvassa, Gujarat.

Key Rating Drivers

Strengths

- **Experienced management**

PPPL was incorporated in 2003. The promoter has more than 25 years of experience across industries including paper, oil, lubricants, insurance to name a few.

Weaknesses

- **Small scale of operations**

The scale of operations is small. The company registered operating income of Rs.0.87 cr in FY2015-16 and Rs. 0.93 cr in FY2014-15.

- **Uneven revenue**

The revenue trend has been uneven with Rs. 0.87 cr for FY2015-16 as against Rs. 0.93 cr in FY2014-15. The company booked revenue of Rs.1.85 cr from April - February 2017. Revenue is expected to increase in the next financial year due to future expansion plans and increase in capacity utilisation from 150 tons to 750 tons per month.

- **Working capital intensive operations**

The operations are working capital intensive marked by high inventory of 346 days in FY2015-16 as against 648 days in FY2014-15. The working capital cycle stood at 481 days in FY2016 as against 792 days in FY2015.

- **Weak financial risk profile**

The financial risk profile is weak marked by high gearing and low coverage indicators. However, the total debt mainly comprises unsecured loans (interest free loans) and these are expected to remain in business going ahead.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the company to arrive at the rating.

Outlook: Stable

SMERA believes that PPPL will maintain a stable outlook and benefit over the medium term from the

extensive experience of its promoter. The outlook may be revised to 'Positive' in case of substantial increase in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or stretch in working capital cycle that weakens the financial risk profile, particularly liquidity.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.(3.59) cr on operating income of Rs0.87 cr, as compared with PAT of Rs.(2.09) cr on operating income of Rs.0.93 cr in FY2014-15.

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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	Not Applicable	13.50	SMERA B- / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA B- / Stable

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ABOUT SMERA

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