

Press Release

Pulkit Veneer Mills Private Limited

September 23, 2017



Rating Assigned

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|-------------------------------------|---------------------------|
| Total Bank Facilities Rated* | Rs. 19.95 Cr. |
| Long Term Rating | SMERA B / Outlook: Stable |
| Short Term Rating | SMERA A4 |

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (**read as SMERA B**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 19.95 crore bank facilities of Pulkit Veneer Mills Private Limited. The outlook is '**Stable**'.

Pulkit Veneer Mills Private Limited (PVMPL) was established in 1986 by Mr. Sunil Kumar Goenka, Mr. Pawan Kumar Patodia, Mr Govind Ram Patodia and Mr Sumedh Kumar Patodia. The company is engaged in the manufacturing of ply wood and veneers. The installed capacity stands at 1.5 million sq. mtrs and 450000 cubic ft. respectively. The registered office is located at Kolkata, West Bengal.

Key Rating Drivers

Strengths

- Long track record of operations and experienced management**

PVMPL commenced operations in 1986. The Director, Mr. Sunil Kumar Goenka, Mr. Pawan Kumar Patodia, Mr Govind Ram Patodia and Mr Sumedh Kumar Patodia possess experience of more than three decades in the timber industry.

Weaknesses

- Working capital intensive operations**

The working capital management is marked by GCA days of 772 in FY2017(Provisional), 319 in FY2016 and 209 days in FY2015. This is mainly on account of increase in debtor days to 284 in FY2017 (Provisional) as against 86 days in FY2016 and increase in the inventory days to 371 days in FY2017 (Provisional) from 100 days in FY2016. The increase in debtor days is mainly on account of demonetisation, as a result of which the revenues were affected in November and December.

- Below average financial riskprofile**

The financial risk profile has been below average marked by high gearing, negative debt protection metrics and low net worth base. The gearing increased to a high of 9.08 times in FY2017 (Provisional) from 2.05 times in FY2016 on account of short term unsecured loans amounting to Rs.4.25 crore procured by the company from friends and relatives so as to mitigate the losses and manage its working capital. The ICR and DSCR stood at -1.45 times and -1.00 times in FY2017 (Provisional) due to losses at operating levels. The net worth decreased to Rs.1.74 crore from Rs.2.73 crore due to accumulation of losses. The NCA/TD stood at -0.05 times in FY2017 (Provisional).

- Change in government policies**

The company is exposed to unfavourable changes in regulations in export countries.

Analytical Approach

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

Outlook: Stable

SMERA believes that PVMPL will maintain a stable outlook and continue to benefit over the medium term from its established presence in the industry and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues while improving margins along with working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or if the working capital cycle elongates.

About the Rated Entity - Key Financials

For FY2016-17, PVMPL reported profit after tax (PAT) of Rs.-1.06 crore on total operating income of Rs.8.17 crore, compared with PAT of Rs.-1.32 crore on total operating income of Rs.8.91 crore in FY2015-16.

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 |
|------------------------------------|------------------|----------------|----------------|-----------------------------|------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 9.00 | SMERA B / Stable |
| Short-term loan | Not Applicable | Not Applicable | Not Applicable | 0.75 | SMERA A4 |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | SMERA A4 |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 0.20 | SMERA A4 |

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