

Press Release

Pulkit Veneer Mills Private Limited

December 12, 2018

Rating Downgraded and Reaffirmed



Total Bank Facilities Rated*	Rs. 19.95 Cr.
Long Term Rating	ACUITE B-/Stable (Downgraded)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE B-**' (read as **ACUITE B minus**) from 'ACUITE B' (read as ACUITE B Minus) and reaffirmed short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.19.95 crore bank facilities of Pulkit Veneer Mills Private Limited (PVMPL). The outlook is '**Stable**'.

The rating downgrade is in view of decline in financial risk profile marked by increase in gearing to 17.05 times in FY2018 from 8.36 times in the previous year. The company booked a net loss of Rs. 0.50 with and negative Net Cash Accruals (NCA) of Rs. 0.28 crore in FY2018. The networth levels of the company have reduced to Rs. 1.24 crore in FY2018 from Rs. 1.67 crore in the previous year due to PAT losses.

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 trading of plywood and veneers. The company operates mainly out of Kolkata.

Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of PVMPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

The management consisting of 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 wood industry. Their longstanding experience has helped them to establish comfortable relationships with their key suppliers and customers.

Weaknesses

Weak financial risk profile

The weak financial risk profile of the company is marked by low networth, high gearing and low debt protection metrics. The net worth of the company stood low at Rs.1.24 crore in FY2018 as compared to Rs.1.67 crore in FY2017, the reduction on account of losses suffered in FY2018. The gearing of the company stood high at 17.05 times in FY2018 as compared to 8.36 times in FY2017. The total debt of Rs. 21.17 crore consists of short term debt of Rs.18.19 crore and unsecured loan from promoters of Rs. 2.99 crore. The interest coverage ratio (ICR) of the company stood low at 0.46times in FY2018 as compared to (1.59) times in FY2017. The debt service coverage ratio (DSCR) of the company stood low at 0.38 times in FY2018 as compared to (1.09) times in FY2017. The net cash accruals against the total debt stands low at (0.01) times in FY2018 compared to (0.06) times in FY2017.

Working capital intensive nature of operation

The operations are working capital intensive in nature as reflected in Gross Current Assets (GCA) of 211 days in 2017-18 as compared to 702 days in 2016-17. These high GCA days emanates from collection period and inventory days of 140 and 29 days in FY18. The company's operations are expected to remain capital intensive as the company is engaged in trading of plywood and veneer, which leads to a relatively high collection and inventory period mainly due to the inherent cyclical nature of the industry.

Outlook: Stable

ACUITE 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 improvement in financial risk profile 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	36.68	8.02	8.91
EBITDA	Rs. Cr.	0.07	(0.60)	(1.80)
PAT	Rs. Cr.	(0.50)	(1.12)	(1.32)
EBITDA Margin	(%)	0.18	(7.49)	(20.15)
PAT Margin	(%)	(1.35)	(13.96)	(14.82)
ROCE	(%)	(0.07)	(6.47)	(5.92)
Total Debt/Tangible Net Worth	Times	17.05	8.36	2.05
PBDIT/Interest	Times	0.46	(1.59)	(1.32)
Total Debt/PBDIT	Times	102.29	(25.09)	(8.98)
Gross Current Assets (Days)	Days	211	702	319

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
23-Sep-2017	Cash Credit	Long Term	9.00	ACUITE B/Stable (Assigned)
	Proposed Short Term Loan	Short Term	0.75	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	0.20	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE B-/Stable (Downgrade)
Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE A4 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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