

Press Release

Navkar Plyboard

D-U-N-S® Number: 87-094-0477

March 25, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 16.00 crore bank facilities of Navkar Plyboard. The outlook is '**Stable**'.

NP, established in 2011, is a Gujarat based firm managed and promoted by Mr. Kamleshbhai Vora and Swetalbhai Trevadia. The firm is engaged in the manufacturing of Plywood, Particle board, Veneers and Flush door. The firm sells its product under the brand 'Navkar Plyboard'. The firm has manufacturing unit at Bhachau, Gujarat.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Navkar Plywood to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Kamleshbhai Vora has gained total experience of more than three decades in the same line of business. Mr. Swetalbhai Trevadia has more than a decade of experience in the wood industry.

Weaknesses

- **Below average financial risk profile**

The firm has below average financial risk profile marked by high gearing at 2.31 times in FY2018 as compared to 1.47 times in FY2017. The interest coverage ratio of the firm stands moderate at 2.33 times in FY2018 as compared to 2.72 times in FY2017. The RoCE of the company stands low at 4.76 times in FY2018 as compared to 3.85 times in FY2017. The firm has expanded in to manufacturing of particle boards since August 2017; thus, resulting in improvement of operating margin at 19.22 percent in FY2018 as compared to 8.78 percent in FY2017. The firm has reported net loss of 1.45 percent in FY2018 as compared to net profit of 1.67 percent in FY2017 due to high depreciation and interest cost incurred.

- **Working capital intensive business**

The firm operates in a working capital intensive business marked by high GCA of 223 days in FY2018 as compared to 375 days in FY2017. The debtors of the firm are high in FY2018 at 107 days due to major sales done in year end. Further, the customers are allowed credit terms of two to three months for Plyboard and around one month for Particle boards.

- **Competition from small and established players in the industry**

NP operates in highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

Liquidity position

NP has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.44 to 1.38 crore during the last three years through 2016-18, while its maturing debt obligations were in the approximately Rs.1.06 crore over the same period. The cash accruals of the company are estimated to remain around Rs.2.50 to 3.13 crore during 2019-21 while its repayment obligations are estimated to be around Rs. 1.29 to 1.76 crore. The company's operations are working capital intensive as marked by high gross current asset (GCA) days of 223 in FY2018. This has led to higher reliance on working capital borrowings, the cash credit limit in the company remains around 90 percent utilized during the last 8 months period ended December, 2018. The company maintains unencumbered cash and bank balances of Rs.0.10 crore as on March 31, 2018. The current ratio of the firm stands at 1.04 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to improve over the medium term on account of increase in scale of operations.

Outlook: Stable

Acuite believes that NP will maintain 'Stable' business risk profile on the back of the management's extensive experience and its established relationship with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or in case of elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	12.95	8.25	13.42
EBITDA	Rs. Cr.	2.49	0.72	0.82
PAT	Rs. Cr.	-0.19	0.14	0.21
EBITDA Margin	(%)	19.22	8.78	6.13
PAT Margin	(%)	-1.45	1.67	1.54
ROCE	(%)	4.76	3.85	17.46
Total Debt/Tangible Net Worth	Times	2.31	1.47	1.04
PBDIT/Interest	Times	2.33	2.72	3.41
Total Debt/PBDIT	Times	5.81	13.17	3.26
Gross Current Assets (Days)	Days	223	375	141

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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)

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	9.30	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE B+ / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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