



Press Release

Pelicans Automotive and Promotional Products Private Limited (PAPPL)

April 23, 2024

Ratings

Details of Facilities are in Annexure 1

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicators
Fund Based - Long Term Bank Facilities – Cash Credit	5.50 (Reduced from 6.50)	IVR BB/ Stable (IVR Double B with Stable Outlook)	Downgraded	Simple
Non Fund Based - Long Term Bank Facilities – Forward Contracts	22.50	IVR BB/ Stable (IVR Double B with Stable Outlook)	Downgraded	Simple
Short Term Fund Based Facility – EPC	10.00	IVR A4 (IVR A Four)	Assigned	Simple
Total	38.00 (Thirty Eight Crore Only)			

Detailed Rationale

The downgrade of the ratings to the bank facilities of Pelicans Automotive & Promotional Products Private Limited (PAPPPL) factors in established experienced of promoters, reputed clientele & diversified portfolio and comfortable capital structure of the company. However, rating continues to remain constrained on account of continuous decline of profit margins from last three fiscals, susceptibility to trade policies & foreign currency exchange fluctuation and elongated operating cycle of the company.

Key Rating Sensitivities:

Upward Factors

- Sustainable improvement in the scale of operations coupled with increase in profit margins of the company
- Improvement of working capital cycle on a sustained basis.



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Downward Factors

- Any decline in operating income and/or profitability leading to deterioration in overall financial risk profile of the company.
- Deterioration in the capital structure and/or debt protection metrics and liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Board of Management**

Mrs Shireen Merchant and Mr. Prashant Kandekar oversee day to day operations and have experience of more than two decade in the industry. PAPPL will continue to benefit from long experience of the management and well-established relationship with their key suppliers and customers.

- **Reputed Clientele & diversified portfolio**

PAPPL primarily operates as a manufacturing arm of its UK based group company, Pelicans Manufacturing Co. Limited (PML). PML has a strong clientele in the automotive sector in Europe comprising reputed and established names. PML procures orders from various Europe based car manufacturers like Volkswagen, Bayerische Motoren Werke AG (BMW), Mercedes Benz (a division of Daimler AG), Bentley Motors Limited and Aston Martin Lagonda Limited, JLR etc. through tenders floated by them and in turn forward the orders to PAPPL in India. Consequently, PAPPL has to comply with all the required standards as mandated by the OEMS. Further PAPPL has also started providing leather based retails products to North American clients (COSCO, Walmart etc.) PAPPL has also started installing Bio gas plant with the help of installation partner.

- **Comfortable capital structure of the company**

PAPPL's capital structure remained comfortable in FY23. Company's overall gearing ratio improved and stood at 0.15x as on March 31st 2023. (PY: 0.30x as on March 31st 2022). Total debt/EBITDA stood at 2.27x as on March 31st 2023 (PY: 2.93x as on March 31st 2022). Total indebtedness of the company reflected by TOL/TNW stood at 0.75x as on March 31st 2023. DSCR and ISCR stood comfortable at 2.59x and 1.91x in FY23.



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Key Rating Weaknesses

Continuous decline of profit margins of the company from last three fiscals

PAPPPL's operating margin continuously declining year on year due to company provided its products with add on features at existing rates which led to increase in overall cost of production. PAPPPL's operating margin declined in FY23 and stood at 3.22% while it was reported as 6.41% in FY22. Company's PAT & PBT margins also keeps on declining year on year. Company reported thin profit margin in terms of PBT and PAT margin of 0.81% and 0.39% in FY23, respectively compared to 3.16%, 2.31% respectively, in FY22.

Susceptibility to trade policies & foreign currency exchange fluctuation

Company is dependent primarily on exports, exposing it to forex fluctuations along with trade and geo-political issues of the operating countries. Company does selective hedging and hence the profitability is highly exposed to foreign currency fluctuations.

Elongated working capital cycle of the company

PAPPPL's operating cycle remained elongated due to high inventory and collection period. Company's gross operating cycle stood at 110 days in FY23. Average collection period stood at 93 days and average inventory period stood at 93 days. Company's average creditor period stood at 76 days.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on default recognition](#)



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Liquidity – Adequate

The company has adequate liquidity marked by sufficient gross cash accruals of Rs. 2.25 crore in FY23 as against no major yearly debt obligations. The cash accruals of the company are estimated to remain in the range of Rs.4-7 crore during 2024-26 against negligible repayment obligations. The bank limit is 67% utilized by the company during the last twelve months ended March 2024. Current ratio of the company also stood comfortable at 1.74x as on FY23. Company has cash and bank balance of Rs.0.27 crore as on March 31st 2023.

About the Company

Pelicans Automotive & Promotional Products Private Limited (PAPPL), incorporated on June 12, 2006 as a private limited company, is located at Nasik, Maharashtra. The Company is engaged in manufacturing and export of customized PVC (polyvinyl chloride) and PU (polyurethane) fabricated products mainly document pouches for various car makers.

Financials (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	68.24	84.21
EBITDA	4.38	2.71
PAT	1.62	0.34
Total Debt	12.81	6.17
Tangible Net Worth	42.12	42.46
Ratios		
EBITDA Margin (%)	6.41	3.22
PAT Margin (%)	2.31	0.39
Overall Gearing Ratio(x)	0.30	0.15

*As per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings in their press release dated October 17, 2023 continue to classify the case under issuer not cooperating status on account of non-submission of relevant information.



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Any other information: Nil

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 (February 21, 2023)	Date(s) & Rating(s) assigned in 2021-22 (November 22, 2021)
1.	Long term Bank Facilities – Cash Credit	Long Term	5.50	IVR BB/Stable	-	IVR BB+/Positive	IVR BB+/Positive
2.	Long Term Bank Facilities – Forward Contracts	Long Term	22.50	IVR BB/Stable	-	IVR BB+/Positive	IVR BB+/Positive
3.	Short Term Fund Based - EPC	Short Term	10.00	IVR A4	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks. Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	5.50	IVR BB/Stable
Forward Cover	-	-	-	22.50	IVR BB/Stable
EPC	-	-	-	10.00	IVR A4

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Len-Pelicans-Automotive-23apr24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.