



## Press Release

### Purbanchal Veneers (PV)

November 18, 2020

Srl. No.	Facilities	Amount (INR Crore)	Current Rating	Rating Action
1	Long Term Fund Based Facility - Cash Credit	0.80	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook) (Withdrawn)	Affirmed and Withdrawn
2	Short Term Non-Fund Based Facility – Inland/Import LC cum Buyer's Credit	10.00	IVR A4 (IVR A Four) (Withdrawn)	Affirmed and Withdrawn
	<b>Total</b>	<b>10.80</b>		

#### Details of Facilities are in Annexure 1

#### Rating Action

Infomerics Valuation and Rating Private Limited has affirmed and withdrawn the rating assigned to the Bank Facilities of INR 10.80 Crore.

The rating has been withdrawn based on the withdrawal request from the client and the 'No Objection Certificate' received from the bankers of the company.

#### Detailed Rationale

The rating continues to derive strength from the Experienced partners & long track record of the firm in timber processing work, Diversified customer profile and geographic presence, Stable operating performance with moderate debt and liquidity metrics and Proximity to ports. However, these strengths are, partially offset by Government Regulation on the timber processing industry, Operation in a highly fragmented segment with many unorganized players, Working Capital Intensive Operations, Susceptible to raw material price and currency fluctuation.

#### Key Rating Drivers with detailed description



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### **Key Rating Strengths**

#### **Experienced partners & long track record of the firm in timber processing work**

Purbanchal Veneers has a track record of more than two decades in the timber processing sector. The firm was established by Mr. Rakesh Kumar Agarwal and Mr. Mukesh Kumar Agarwal, who have an experience of over two decades in timber processing and manufacturing related activities. They are well supported by a team of experienced professionals.

#### **Diversified customer profile and geographic presence**

The firm has a pan India presence with clients across regions mitigating the geographic concentration risk. The firm has a diversified customer base.

#### **Stable operating performance with moderate debt and liquidity metrics**

Purbanchal Veneer's total operating income registered a CAGR of ~13.72% during FY17-FY19 which was primarily driven by increased inflow of orders. The Return on Networth for FY19 was 12.32%. The Interest Coverage Ratio of the firm stood moderately at 1.21x as on 31st March, 2019. The bank limit utilisation has been utilised upto ~62%. The Current and Quick Ratios of the firm are comfortable at 1.47x and 1.30x as on 31st March, 2019 respectively.

#### **Proximity to ports**

The firm is located in Gandhidham, Gujarat and it benefits from its proximity to the Kandla port, which is approximately 24 km, as the port has specialized machinery for unloading of logs and this has led to growth of timber based companies in the nearby area.

### **Key Rating Weaknesses**

#### **Government Regulation on the timber processing industry**

The timber processing industry is highly regulated and it depends upon the state government to enact any policies. Post the ban imposed by Myanmar government, the company started arranging for alternate sourcing for uninterrupted supply and started importing other varieties of logs i.e. Keruing & MLH logs from Malaysia, Indonesia and Vietnam. However timber manufactured from these logs differed in quality as well as colour than that of Gurja quality



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veneers and the same was not readily accepted by Indian market. However thereafter the company also started sourcing “Okoume” timber from African countries which is gradually finding acceptance by Indian Consumers. However further the company is facing difficulties in timely receipt of order placed for Okoume logs as there is considerable time lag between order placement and actual receipt of the product. The ban on import of raw timber from Myanmar has not only affected the availability of face timber for the industry but also hardened the prices.

### **Operation in a highly fragmented segment with many unorganized players**

The domestic timber processing sector is highly crowded with the presence of many unorganized players (around 75% of the total market) with varied statures & capabilities. The boom in the timber processing industry sector, a few years back, resulted in an amelioration in the number of players.

### **Working Capital Intensive Operations**

The average collection period for FY19 is 142 days and inventory holding period is 18 days. The average creditor days is 174 days in FY19. This implies working capital intensive operations where much of the firm cash is locked up with the customers.

### **Susceptible to raw material price and currency fluctuation**

The firm imports timber logs mostly from overseas market, which are usually procured against 180 days LC, with delivery cycles ranging between twenty to thirty days. The production of veneer from logs is carried out without firm orders on a rolling stock basis, as a result of which, the company remains exposed to any adverse movement in timber prices during the period from procurement of timber to receipt of order from customers, as the final selling prices would be governed by the veneer prices as well as timber prices prevalent during that period. Moreover, since the company relies upon imported logs for its raw material requirement, it remains exposed to change in export policies and political instability arising in the exporting countries. Moreover, the profitability of the firm is exposed to any adverse foreign exchange fluctuations as the company does not hedge any of its forex exposure.

### **Analytical Approach &Applicable Criteria:**



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Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Policy on Withdrawal

### Liquidity: Adequate

The bank limit utilisation of the firm stands at ~62.81%. The overall gearing and ICR ratio as on 31st March 2019 stand at 2.19x and 1.21x respectively. The current and quick ratio of the firm as on account closing day stand at 1.47x and 1.30x respectively. The DSCR is comfortably above unity. The overall liquidity position of the company is **Adequate**.

### About the Company

Purbanchal Veneers was established in 25 October 2000. Its registered office is in Ahmedabad. The firm operates from its registered office at Gandhidham and is engaged in the trading of veneers and other timber products. The firm is managed by the key persons who are also the promoters of Purbanchal Group.

The Purbanchal Group (PG) rated at IVR BBB-/Stable Outlook is promoted by Mr. Rakesh Agarwal, Mr. Mukesh Agarwal, and Mr. Omprakash Agarwal, with considerable experience in the timber industry. The group is engaged across the value chain of timber processing i.e. trading to further manufacturing of Veneers, Plywood, Baggase Board, Laminates and WPC board.

The group companies operating under Purbanchal Group are Purbanchal Laminates Pvt Ltd., Purbanchal Lumbers Pvt Ltd., Purbanchal Composite Panel India Pvt. Ltd., Amul Boards Pvt Ltd., Landmark Veneers Pvt Ltd. which are all controlled by the similar management and have common control.

### Financials:

	(INR Crore)	
For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	15.24	24.44
EBITDA	0.71	0.95
PAT	0.19	0.25



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Total Debt	5.82	4.66
Tangible Networth	1.90	2.12
EBITDA Margin (%)	4.68	3.89
PAT Margin (%)	1.21	1.01
Overall Gearing Ratio (x)	3.06	2.19

*\*Classification as per Infomerics' standards*

### Status of non-cooperation with previous CRA:

India Ratings & Research in its press release dated April 30, 2020 has maintained the rating of Purbanchal Veneers to "Issuer Not Cooperating" category due to unavailability of adequate information. The same has been withdrawn.

CRISIL in its press release dated August 06, 2019 migrated the rating of Purbanchal Veneers to "Issuer Not Cooperating" category due to unavailability of adequate information.

### Any other information: N.A

### Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19 (March 20 <sup>th</sup> , 2019)	Date(s) & Rating(s) assigned in 2017-18
1.	Fund Based Facilities – Cash Credit	Long Term	0.80	IVR BB+/ Stable outlook (Withdrawn)	--	IVR BB+/ Stable outlook	--
2.	Non-Fund Based Facilities – Inland/Import LC cum Buyer's Credit	Short Term	10.00	IVR A4 (Withdrawn)	--	IVR A4	--

**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](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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	--	--	--	0.80	IVR BB+/ Stable outlook (Withdrawn)
Inland/Import LC cum Buyer's Credit	--	--	--	10.00	IVR A4 (Withdrawn)