



## Press Release

### **Purbanchal Laminates Private Limited (PLPL)**

**July 03, 2024**

#### **Ratings**

| <b>Instrument / Facility</b> | <b>Amount (Rs. crore)</b> | <b>Current Ratings</b>                                       | <b>Previous Ratings</b> | <b>Rating Action</b> | <b><a href="#">Complexity Indicator</a></b> |
|------------------------------|---------------------------|--------------------------------------------------------------|-------------------------|----------------------|---------------------------------------------|
| Long Term Bank Facilities    | 18.06                     | IVR BBB/ Stable                                              | IVR BBB-/ Stable        | Upgraded             | Simple                                      |
| Short Term Bank Facilities   | 7.25                      | IVR A3+                                                      | IVR A3                  | Upgraded             | Simple                                      |
| <b>Total</b>                 | <b>25.31</b>              | <b>(Rupees Twenty-five crores and Thirty-One lakhs only)</b> |                         |                      |                                             |

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### **Detailed Rationale**

Infomerics Ratings has upgraded its rating assigned to the bank facilities of Purbanchal Laminates Private Limited (PLPL) taking into account overall improvement in operational and financial performance of Purbanchal Group's *{consist of three companies namely Purbanchal Lumbers Private Limited (PLuPL), Purbanchal Laminates Private Limited (PLPL) and Purbanchal Composite Panel India Private Limited (PCPIPL)}* in FY23 (Audited) and FY24 (Provisional).

Further the rating derives strength from growing scale of operations, continuous improvement in the capital structure coupled with robust debt protection metrics, experienced promoters & long track record of the company in timber processing work, diversified customer profile and geographic presence and proximity to ports. The ratings are however constrained by working capital intensive operations, operation in a highly fragmented segment with many unorganized players, susceptibility to raw material prices and currency fluctuation.

Infomerics believes that Purbanchal Group will maintain 'Stable' outlook by its experienced management and continued improvement in the scale of operations, profitability margins, and comfortable debt protection metrics resulting in improved debt protection ratios with no capex plan near future.

#### **Key Rating Sensitivities:**



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### Upward Factors

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals on sustained basis.
- Efficient management of working capital along with timely sanctioning of additional limits leading to moderation in average bank limit utilisation

### Downward Factors

- Significant drop in revenue or profitability resulting into less cash accruals.
- Any significantly larger than expected debt-funded capex or acquisition or stretch in the working capital cycle, weakening the financial risk profile and liquidity.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Growing scale of operation and profitability margins:**

The scale of operation of Pubanchal Group as on combined basis had improved by 13.89% on y-o-y basis to Rs.363.90 crore in FY24 (Prov.) (period refers to April 01, 2023, to March 31, 2024) with increase in volume and price realization.

The EBIDTA margin of Purbanchal Group marginally improved by 25 bps on y-o-y basis to 6.84% in FY24 (Prov.) due to lower raw material cost. Further PAT margin also improved by 51 bps on y-o-y basis to 2.65% in FY24 (Prov.) due to lower interest cost along with lower depreciation cost.

##### **Continuous improvement in the capital structure coupled with robust debt protection metrics:**

The capital structure as indicated by adjusted overall gearing ratio and total outside liabilities /adjusted tangible net worth (TOL/ATNW) ratio had improved and stood at 0.46x and 1.62x respectively as on March 31, 2024 (Prov.) {vis-à-vis 0.47x and 1.68x respectively as on March 31, 2023 (A)} mainly on account of improvement adjusted net worth base backed by profit accretion coupled with treatment of unsecured loans as a quasi-capital.

Further adjusted net worth has improved to Rs.102.53 crores in FY24(P) from Rs.91.00 crore as on March 31, 2023, mainly on account of treatment of unsecured loans from promoters' quasi capital coupled with accretion of profits to reserves.



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The debt coverage indicators as indicated by interest coverage ratio and total debt to gross cash accruals ratio has marginal improved and stood at 2.99x and 3.41x respectively in FY24 (Prov.) {as against 2.56x and 3.82x respectively in FY23 (A)} due to savings in interest cost.

### **Experienced promoters & long track record of the company in timber processing work:**

Purbanchal Group has a track record of more than two decades in the timber processing sector. It was established by Mr. Rakesh Kumar Agarwal, Mr. Mukesh Kumar Agarwal, and Mr. Omprakash Agarwal, having an experience of over two decades in timber processing and manufacturing related activities. They are well supported by a team of qualified and experienced professionals.

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

The company is expanding its presence in both domestic as well as in export market. Company has expanded into new geographical areas like Coimbatore, Salem, Tirchi, Kerala, etc to name a few. The Company is also focusing on export & project specification & OEM market by adding different sizes of laminates and also adding related products such as plywood, etc by following asset light modes. The company has started & running parallelly new related product line i.e. plywood wherein credit terms are less liberal & it will bring the overall outstanding days to lower level.

### **Proximity to ports:**

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

### **B. Key Rating Weaknesses**

#### **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 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. While the competition is perceived to be healthy, significant price cut by a few players during the bidding process is a matter of serious concern for the users with respect to the quality of output. 75% of the industry is mainly dominated by unorganised players.



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### **Working Capital Intensive Operations:**

The net operating cycle of the group remained elongated and stood at 100 days in FY24 (Prov.) {vis-à-vis 102 days in FY23 (A)} mainly on account of inventory days of 79 days in FY24 due to averaging effect. Group needs to maintain inventory of various laminates to fulfil demand from distributors. Also, since the major demand starts from Q1 of any financial year inventory remains high at the end of March of every year. Further creditors period days has also declined to 103 days in FY24(P) as compared to 140 days in FY23.

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

Purbanchal Group 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 company orders on a rolling stock basis, as a result of which, the companies remain 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 companies rely 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 companies is exposed to any adverse foreign exchange fluctuations as they do not hedge any of its forex exposure.

### **Analytical Approach:** Combined

For arriving at the rating, Infomerics has combined the financial risk profiles of the Purbanchal Group Purbanchal Lumbers Private Limited (PLuPL), Purbanchal Laminates Private Limited (PLPL) and Purbanchal Composite Panel India Private Limited (PCPIPL) as these entities are under common management and have strong operational linkages and cash flow fungibility and similar line of business.

### **Applicable Criteria:**

[Criteria for assigning rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

[Policy on default Recognition and Post Default Curing Period](#)



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[Rating Criteria for Consolidation of companies](#)

[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity –Adequate**

The Purbanchal group's cash accruals are expected to be in the range of Rs.19.58 crores to Rs.29.30 crores for projected years FY25 to FY27 vis-à-vis moderate debt repayment obligations ranging between Rs.2.28 crore to Rs. 1.20 crores in the same period. Cash and equivalents were at Rs.13.14 crore as on March 31, 2024(P). Absence of any major debt funded capex and unsecured loans from promoters further supports liquidity. Internal cash accruals, unutilised bank lines and cash and equivalents will be sufficient vis-à-vis debt obligation and the incremental working capital requirement. Thus, the overall liquidity position of the company remained adequate.

### **About the Group:**

The Purbanchal Group (PG) 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, Bagasse Board, Laminates and WPC board. The facilities are located in Gandhidham, Gujarat. The group has 7 branches, and its network of dealers is spread across 50 cities in India.

### **About the Company:**

Purbanchal Laminates Private Limited (PLPL) was incorporated on February 23, 2004 and its registered office located at Tinsukia, Assam. PLPL exports its products to countries like U.A.E., Canada, Toronto, Malaysia, Turkey, Riyadh, and Singapore. Looking at the enormous business potential in the Middle East countries, the company took initiatives to expand and strengthen the presence in GCC countries.

### **Financials (Combined):**

| For the year ended/ As on* | (Rs. crore) |             |
|----------------------------|-------------|-------------|
|                            | 31-03-2023  | 31-03-2024  |
|                            | Audited     | Provisional |
| Total Operating Income     | 319.52      | 363.90      |
| EBITDA                     | 21.06       | 24.90       |



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|                             |       |        |
|-----------------------------|-------|--------|
| PAT                         | 6.88  | 9.66   |
| Total Debt                  | 42.78 | 46.90  |
| Adjusted Tangible Net Worth | 91.00 | 102.53 |
| EBITDA Margin (%)           | 6.59  | 6.84   |
| PAT Margin (%)              | 2.14  | 2.65   |
| Overall Gearing Ratio (x)   | 0.47  | 0.46   |
| Interest Coverage (x)       | 2.56  | 2.99   |

\* Classification as per Infomerics' standards.

### Financials (Standalone):

| For the year ended/ As on*  | 31-03-2023 | (Rs. crore)<br>31-03-2024 |
|-----------------------------|------------|---------------------------|
|                             | Audited    | Provisional               |
| Total Operating Income      | 213.54     | 225.85                    |
| EBITDA                      | 14.80      | 16.95                     |
| PAT                         | 5.71       | 7.38                      |
| Total Debt                  | 26.74      | 30.71                     |
| Adjusted Tangible Net Worth | 61.92      | 76.94                     |
| EBITDA Margin (%)           | 6.93       | 7.50                      |
| PAT Margin (%)              | 2.67       | 3.26                      |
| Overall Gearing Ratio (x)   | 0.43       | 0.40                      |
| Interest Coverage (x)       | 3.32       | 3.75                      |

\* Classification as per Infomerics' standards.

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

**ICRA Ratings** has continued to classify the company under Issuer Not Co-operating category vide PR dated April 08, 2024, due to lack of adequate information.

**Crisil Ratings** has continued to classify the company under Issuer Not Co-operating category vide PR dated June 13, 2024, due to lack of adequate information and non-submission of NDS.

**Any other information:** Not Applicable

**Rating History for last three years:**



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| Sr. No. | Name of Security/Facilities | Current Ratings (Year 2024-25) |                                |                | Rating History for the past 3 years     |                                         |                                         |
|---------|-----------------------------|--------------------------------|--------------------------------|----------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
|         |                             | Type (Long Term/Short Term)    | Amount outstanding (Rs. Crore) | Rating         | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
|         |                             |                                |                                |                | June 27, 2023                           | --                                      | Mar 29, 2022                            |
| 1.      | Term Loan                   | Long Term                      | 1.77                           | IVR BBB/Stable | IVR BBB-/Stable                         | --                                      | IVR BBB-/Stable                         |
| 2.      | WCTL                        | Long Term                      | 1.29                           | IVR BBB/Stable | IVR BBB-/Stable                         | --                                      | --                                      |
| 3.      | Cash Credit                 | Long Term                      | 15.00                          | IVR BBB/Stable | IVR BBB-/Stable                         | --                                      | IVR BBB-/Stable                         |
| 4.      | Bank Guarantee              | Short Term                     | 1.25                           | IVR A3+        | IVR A3                                  | --                                      | --                                      |
| 5.      | Letter of Credit            | Short term                     | 6.00                           | IVR A3+        | IVR A3                                  | --                                      | IVR A3                                  |

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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: Instrument/Facility Details:

| Name of Facility/ Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|----------------------------|------|------------------|------------------|---------------|------------------------------|--------------------------|
| Term Loan                  | -    | -                | -                | March 2026    | 1.77                         | IVR BBB/ Stable          |
| WCTL – UGECL               | -    | -                | -                | March 2026    | 1.29                         | IVR BBB/ Stable          |
| Cash Credit                | -    | -                | -                | -             | 15.00                        | IVR BBB/ Stable          |
| Letter of Credit           | -    | -                | -                | -             | 6.00                         | IVR A3+                  |
| Bank Guarantee             | -    | -                | -                | -             | 1.25                         | IVR A3+                  |

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Purbanchal-Laminates-july24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

### Annexure 4: List of companies considered for Combined analysis:

| Name of the company/Entity                       | Combined Approach |
|--------------------------------------------------|-------------------|
| Purbanchal Lumbers Private Limited               | Combined          |
| Purbanchal Laminates Private Limited             | Combined          |
| Purbanchal Composite Panel India Private Limited | Combined          |

**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).