Rating Rationale

Puneet Enterprises

22 May 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 42.14 Crores of Puneet Enterprises.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (May, 2018)	Present
Fund based	41.49	42.14	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable Reaffirmed
Total	41.49	42.14	INR Forty Two Crores Fourteen Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm's audited financial results upto FY18, provisional financials of FY19, projections of FY20 as well as publicly available information and the information/clarifications provided by the firm.

The reaffirmation of rating has factored, inter alia, year on year improvement in the scale of operations, track record and experience of the promoter and locational advantage of the firm. However the rating is constrained by moderate profitability ratios, inherent risk of proprietorship constitution of business and susceptibility of the firm's profitability margins to fluctuations in raw material prices.

Description of Key Rating Drivers

Credit Strengths:

- There has been a year on year improvement in the firm's scale of operations. Revenue for FY

18-19 (on a provisional basis) has increased to Rs. 421.71 Cr from Rs. 342.85 Cr in FY 17-18. Firm has maintained its profitability.

- Promoter has more than thirty years experience in the cotton industry. Over the years of operation, the firm has established business relationship with customers and receives repeat orders from the same.
- The firm's manufacturing facilities are located in Sillod, Aurangabad (Maharashtra) and Gunupur (Odisha) which are key cotton growing areas, enabling steady availability of cotton.

Credit Risks:

- Cotton being an agricultural commodity, its availability depends on monsoon. Moreover, government interventions and fluctuations in global cotton output may result in fluctuations in cotton prices and thereby profitability of the firm. However, the risk is partially offset by the ability of the firm to pass through the change in raw material prices to its customers.
- Cotton industry is highly fragmented with numerous players resulting in intense competition. This keeps the profitability margins under check. Operating profit margin is 1.74% for the year FY 2017-18 vis-a-vis 1.89% for the year FY 2016-17.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Puneet Enterprises** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm

Puneet Enterprises is a proprietorship concern of Mr. Rasdeep Singh Chawla and set up in 2002, is engaged in ginning and pressing of cotton and extraction of oil from cotton seeds. The firm's manufacturing facilities are located in Sillod, Aurangabad (Maharashtra) and Gunupur (Odisha). The firm has ginning capacity of 8.01 lakhs quintals per annum and oil extraction capacity of 4.55 lakhs quintals per annum.

Firm Financial Performance

Puneet Enterprises has registered a net profit of Rs. 3.95 Crores on a revenue of Rs. 342.85 Crores for FY 17-18 as against a net profit of Rs. 2.30 Crores on a revenue of Rs. 203.72 Crores for FY 16-17. The

proprietors capital is Rs. 16.41 Crores as on 31.03.2018. As per the provisional financials certified by the firm has registered a revenue of Rs. 421.71 Crores for FY 18-19 and profitability has been maintained.

Liquidity Position: The liquidity position of the firm is marked by current ratio of 1.26x as on March 31, 2018. The firm has cash and bank balance of Rs. 2.04 Crore as on March 31, 2018. Firm's term loan repayment obligation for FY 19-20 is Rs. 0.25 Crores.

Rating History for the last three years

S. No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	02, May, 2018	2017	2016
1	**Fund Based** Cash Credit EPC/FBP/FBD/EPC/ PCFC/FBN/BD Term Loan	Long Term	40.00 (15.00) 2.14	BWR BBB- (BWR Triple B Minus) Outlook: Stable Reaffirmed	BWR BBB- (BWR Triple B Minus) Outlook: Stable	-	-
	Total		**42.14**	**₹ Forty Two Crores Fourteen Lakhs Only**			

Status of non-cooperation with previous CRA (if applicable) - Crisil BB+(Stable) issuer Not cooperating, rating migrated on 27.07.2018 from Crisil BB+ (Stable)
Any other information - NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	Rs. Crs	342.85	203.72
EBITDA	Rs. Crs	5.98	3.86
PAT	Rs. Crs	3.95	2.30
Tangible Net worth	Rs. Crs	16.41	13.28
Total Debt/Tangible Net worth	Times	2.57	2.87
Current Ratio	Times	1.26	1.47

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Sector

For any other criteria obtain hyperlinks from website

Analytical Contacts	Investor Contacts
Bal Krishna Piparaiya Senior Director - Ratings B :+91 22 2831 1426, +91 22 2831 1439 piparaiya.bk@brickworkratings.com **Sachin Sankar** Ratings Analyst D : +91 22 6745 6627 B :+91 22 2831 1426, +91 22 2831 1439 Sachin.s@brickworkratings.com	**Satish Nair** Director - Global Market Development & Investor Relations M : +91 7738875550 B : +91 80 6745 6666 satish.n@brickworkratings.com
1-860-425-2742	

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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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