

Patliputra Equipments Private Limited

January 14, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	17.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	17.00 (Rs. Seventeen Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Patliputra Equipments Private Limited (PEPL) to monitor the ratings vide e-mail communications/letters dated August 31, 2020, December 14, 2020 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, PEPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on PEPL's bank facilities will now be denoted as **CARE BB+; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The ratings have been revised on account of lack of substantial information and inability to monitor the performance of the company.

The ratings are constrained by the working capital intensive nature of operation, supplier and geographical concentration risk along with pricing constraints as well as competition from various other construction equipment dealers.

However, the ratings draw strength from the long track record of the company in construction equipment dealership, comfortable capital structure and debt coverage indicators with moderate operating margins and stable financial performance in FY19 (refers to the period April 1 to March 31) and H1FY20 with growth in scale of operation.

Detailed description of the key rating drivers

Key Rating Weaknesses

Working capital intensive nature of operation: The operations of PEPL are working capital intensive as about 96% of its total capital employed is deployed in working capital. The company has a policy to maintain inventory of around 45 days-60 days and has to offer a credit period of around 15-30 days to its customers due to intense competition in the industry. The company relies upon bank borrowings to fund its working capital requirement and average utilisation of limits is high.

Supplier and geographical concentration risk along with pricing constraints: PEPL only deals in products of JCB India Ltd (JCB) in Bihar. The company's fortunes are linked to the performance and demand of JCB's products in the region. Also, it has limited pricing power.

Competition from various other construction equipment dealers: With the sole dealership network of JCB in designated areas of Bihar, it is exposed to external competition from dealers of other domestic and international brands. In view of this, it has to offer better buying terms like providing credit period or allowing discounts on purchases. Such discount creates margin pressure and negatively impact the earning capacity of PEPL. However, the promoter is into dealership business with JCB for over a decade and accordingly has created a brand image in its operational area.

Key Rating Strengths

Long track record of the company in construction equipment dealership: PEPL has been associated with JCB since 2006 and is the authorised dealer in Patna region in Bihar with 14 branches and 5 showrooms in the state, which have dedicated sales, service, and spares (3S) facilities. Over the years PEPL has established long-term relationships with its supplier and customers. Its customer base comprises large & mid-sized construction & real estate companies.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

*Issuer did not cooperate; Based on best available information

Stable financial performance in FY19 and H1FY20: The operating income of PEPL improved to Rs.246.79 crore in FY19 vis-à-vis Rs.163.35 crore during FY18 with y-o-y growth of about 51% due to improvement in demand for JCB machines and spares. The company achieved relatively stable PBILDT margin at 2.96% in FY19 vis-à-vis 3.30% in FY18. However, PAT margin substantially improved to 2.44% in FY19 vis-à-vis 1.48% in FY18 due to non-operating income Rs.2.67 crore in FY19 from sale of land. Interest coverage ratio remained comfortable at 4.93x in FY19. PIPL achieved GCA of Rs.6.32 crore in FY19 (Rs.2.67 crore in FY18).

During H1FY20, PEPL achieved PAT of Rs.2 crore on total income of Rs.117.78 crore vis-à-vis PAT of Rs.1.82 crore on total income of Rs.109.4 crore in H1FY19.

Comfortable capital structure and debt coverage indicators: Increase in net worth due to accretion of profits to reserves resulted in improvement in overall gearing to 0.57x as on March 31, 2019 as against 0.63x as on March 31, 2018. PEPL's debt as on March 31, 2019 mainly comprised short term borrowings in the form of working capital. Total debt/GCA remained moderate.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook and credit watch to credit ratings](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's Rating Methodology – Wholesale Trading](#)

About the Company

PEPL was promoted in June 2006 by Bihar based late Mr. Arunodaya Kumar. PEPL is an authorised dealer of JCB for heavy earthmoving equipment and spare parts in Patna region of Bihar. PEPL is also involved in servicing of these machines and equipment that are usually sold with annual maintenance contracts. It operates through 14 branches, two dedicated showrooms (Muzaffarpur, Patna) which has sales, service and spares (3S) facilities and three workshop (Bihta, Biharsharif, and Hathidah).

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	163.35	246.79
PBILDT	5.39	7.30
PAT	2.42	6.03
Overall gearing (times)	0.63	0.57
Interest coverage (times)	3.54	4.93

A=Audited

Status of non-cooperation with previous CRA: CRISIL has suspended its ratings vide press release dated May 16, 2016 on account of non-cooperation by PEPL with CRISIL's efforts to undertake a review of the ratings outstanding.

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Electronic Dealer Financing Scheme	-	-	-	12.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Electronic Dealer Financing Scheme	LT	12.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (27-Dec-19)	1)CARE BBB-; Stable (03-Jan-19)	1)CARE BBB-; Stable (27-Feb-18) 2)CARE BBB-; ISSUER NOT COOPERATING* (29-Nov-17)
2.	Fund-based - LT-Cash Credit	LT	5.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (27-Dec-19)	1)CARE BBB-; Stable (03-Jan-19)	1)CARE BBB-; Stable (27-Feb-18) 2)CARE BBB-; ISSUER NOT COOPERATING* (29-Nov-17)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Electronic Dealer Financing Scheme	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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