

Shiv Hari Plywood Private Limited

September 27, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	5.80	CARE B; ISSUER NOT COOPERATING* (Single B; Issuer not Cooperating*)	Issuer not Cooperating; Based on best available information
Short term Bank Facilities	1.70	CARE A4; ISSUER NOT COOPERATING* (A Four; Issuer not Cooperating*)	Issuer not Cooperating; Based on best available information
Total	7.50 (Rs. Seven Crore and Fifty Lakh Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated July 10, 2018, placed the ratings of Shiv Hari Plywood Private Limited (SHPL) under the 'issuer non-cooperating' category as SHPL had failed to provide information for monitoring of the rating. SHPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated September 13, 2019 and September 10, 2019. 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.

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

Detailed description of the key rating drivers

At the time of last rating on July 10, 2018 the following were the rating weaknesses and strengths (Updated for the information available from the Registrar of companies):

Key Rating Weaknesses

Small scale of operations: The scale of operations of the company as marked by total operating income remained small at Rs.10.64 crores in FY18. The small scale limits the company's financial flexibility in times of stress and deprives the entity from scale benefits.

Elongated operating cycle: The operating cycle of the company stood elongated to 353 days for FY18. The elongation was mainly on account of higher collection period and inventory holding period.

Weak liquidity position: The liquidity position of the company stood weak as marked by current and quick ratio of 1.53 times and 0.84 times as on March 31, 2018. Further, the cash and bank balance stood at Rs.0.11 crore as on March 31, 2018.

Foreign exchange exposure: The firm imports its raw material requirement from Malaysia, Singapore and United States of America. The products are sold mainly in the domestic markets. With initial cash outlay for procurement in foreign currency and sales realization is mainly in domestic currency, the firm is exposed to the fluctuation in exchange rates which the firm does not hedge.

Exposure to raw material price volatility: The company is exposed to the raw material price volatility risk due to the fluctuation experienced in the prices of timber which constitutes a major component of the raw material and the prices of timber varies rapidly due to demand supply gap. Hence, any volatility in its price has a direct impact on the profitability margins of the company.

Highly fragmented nature of the industry characterized by intense competition: There is stiff competition in the plywood industry due to the presence of many unorganized players. Smaller companies like SHPL in general are more vulnerable to

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

*Issuer did not cooperate; based on best available information

intense competition due to their limited pricing flexibility, which constrains their profitability as compared to larger companies who have better efficiencies and pricing power considering their scale of operations.

Key Rating Strengths

Experienced promoters and long track record of operations: Mr Hargovind Prasad Singhal is director of SHPL and has been associated with the company since its inception; he looks after the overall functions of the company and has been in the plywood industry for more than two decades. He is supported by his sons, Mr Pushpendra Mohan (Managing Director) and Mr Shailendra Mohan Singhal (Director), Both of them have been associated with the company since its inception. Moreover, SHPL has more than two decade of operations and stands to benefit from the already established relationship with the suppliers and dealers of the company.

Moderate profitability margins, capital structure and coverage indicators: The profitability margins of the company remained moderate for the past three financial years; i.e., FY16-FY18. The capital structure of the company stood moderate as on past three balance sheet dates ending March 31, '16 – '18 mainly on account of moderate net worth base against debt levels. Further, the debt service coverage indicators stood moderate during said period on account of moderate profitability and lower debt levels.

Analytical approach:

Standalone

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

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

About the Company

Jaspur-based (Uttarakhand) Shiv Hari Plywood Ltd. (SHPL) was incorporated on October 15, 1987, by Mr Hargovind Prasad Singhal, Mr Shailendra Mohan and Mr Pushpendra Mohan Singhal. The company is engaged in the manufacturing of plywood, blocks board, modular furniture and different types of doors. SHPL has two manufacturing units located in Jaspur (Uttarakhand). SHPL sells its products under the brand names of "CORBETT" and "CORBETT KOOL" through wholeseller located in Uttarakhand, Uttar Pradesh (mainly Lucknow), Maharashtra, Delhi and Madhya Pradesh (mainly Bhopal).

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	10.46	10.64
PBILDT	1.28	1.25
PAT	0.16	0.25
Overall gearing (times)	1.03	0.96
Interest coverage (times)	2.03	2.26

A-Audited

Status of non-cooperation with previous CRA:

Not Applicable

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-Cash Credit	-	-	-	5.80	CARE B; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	0.55	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-ILC/FLC	-	-	-	1.15	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	5.80	CARE B; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B; ISSUER NOT COOPERATING* (10-Jul-18)	1)CARE B+; ISSUER NOT COOPERATING* (17-Apr-17)	1)CARE BB (13-Apr-16)
2.	Non-fund-based - ST-Bank Guarantees	ST	0.55	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; ISSUER NOT COOPERATING* (10-Jul-18)	1)CARE A4; ISSUER NOT COOPERATING* (17-Apr-17)	1)CARE A4 (13-Apr-16)
3.	Non-fund-based - ST-ILC/FLC	ST	1.15	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4; ISSUER NOT COOPERATING* (10-Jul-18)	1)CARE A4; ISSUER NOT COOPERATING* (17-Apr-17)	1)CARE A4 (13-Apr-16)

*Issuer did not cooperate; Based on best available information

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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