



Rating Rationale

POCL Enterprises Limited

15 Apr 2019

Brickwork Ratings reaffirms BWR BBB-/A3 for the bank loan facilities of Rs. 88.09 Crores of POCL Enterprises Limited ('POEL' or 'the Company')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating ¹	
	Previous	Present*		Previous (Feb 2018)	Present
Fund Based					
CC/OBD/WCDL	38.00	47.70	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable Reaffirmed
Term Loan	0.97	2.09			
PC/PCFC/FDB	13.00	23.00	Short Term	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three) Reaffirmed
Non Fund based					
ILC/FLC/BC/BG	20.00	15.30			
Total	71.97	Rs.88.09 Crores (Rupees Eighty Eight Crores and Nine lakhs Only)			

¹Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

*Annexure I provides details of loan facilities;

Ratings reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the company upto FY18, unaudited financials of 9MFY19, projected financials upto FY21, publicly available information and information/clarifications provided by the management.



The ratings continue to reflect the experience of the promoters in the metals and chemicals industry, consistent growth in revenue, established market position and reputed clientele. The ratings, however, are constrained by the low profitability, high gearing level, susceptibility of profitability to commodity price fluctuations, cyclical nature of end user industries, exposure to forex fluctuation risk and working capital intensive nature of operations.

Going forward, the ability of the company to increase its scale of operations, improve profitability, strengthen its credit profile and manage its working capital efficiently would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes **POCL Enterprises Limited's** 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 outlook may be revised to 'Positive' if increase in scale of operations and accruals along with efficient working capital management improve financial risk profile. The outlook may be revised to 'Negative' if increasing working capital requirements, lower than estimated revenue and accruals or any large, debt-funded capital expenditure plans weakens liquidity or leverage levels.

Key Rating drivers:

Credit Strengths:

- **Experienced management :** The management is well experienced in metals and chemicals sector. The company has an established track record of three decades in this industry. BWR believes that the company will continue to benefit from the extensive experience of its management and strong relationships with reputed clientele.
- **Established market and reputed customers :** The company has a reputed customer base such as ATC Tires Private Limited, TVS SriChakra Ltd, Exide Industries Limited, Tractors & Farm Equipment Ltd, L Dobowi LLC etc. with repeat orders from these customers.
- **Growth in revenue :** Total operating income improved to Rs. 485.56 crs in FY18 from Rs. 317.47 crs in FY17 mainly driven by growth in Lead and Oxide segment. As per unaudited financials of 9MFY19, the Company has achieved revenue of ~Rs.350 crs.

Credit Weakness :

- **High gearing and low profit margins:** Gearing level was high reflected in Debt/Equity of 2.52 times as on 31 March 2018. Profitability was low at 0.55% in FY18(PY: 0.27%) mainly due to the volatility in metal prices, which contributed to increased raw material



costs. Increased borrowings and pending GST refunds also contributed to the increased finance costs.

- **Exchange rate fluctuation risk :** The Company is exposed to foreign currency fluctuation risk. However the Company has import and export operations and therefore the exports proceeds act as a natural hedge for imports. The Company hedges the risk partially by entering into forward contracts with Banks.
- **Highly competitive and susceptibility of profitability to volatility in the prices of raw materials:** The Company is facing strong competition from organized and unorganized players in this business. The Company is exposed to commodity price fluctuations and its policy is to sell its products at prevailing market prices. Price and demand of the Company's finished products are inherently volatile and remain strongly influenced by global economic conditions. Any fluctuation in the finished product prices has a direct impact on the Company's revenue and profits.

Liquidity - Moderate: The Company's liquidity position is moderate as seen in working capital cycle of 65 days and receivable days of around 50 as on March 31, 2018. Current ratio was 1.07 times as on March 31, 2018. Cash and cash equivalents were Rs. 4.17 crs as on 31 Mar 2018. Average working capital utilisation was ~90% over last 6 months. Debt obligations are around Rs. 0.19 crs for FY 20, which are expected to be serviced through cash accruals.

Analytical approach

BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale). The Company does not have any subsidiaries.

About the Company

POCL Enterprises Limited, an ISO 9001:2015 certified company, its shares are listed in BSE, was incorporated in 1988 at Chennai. POEL is an ISO 9001:2015 company and specializes in manufacturing and trading of various metals, chemicals and their oxides. The company has manufacturing units in Puducherry, Kakkalur – Thiruvallur, Maraimalai Nagar, Tamilnadu. POEL manufactures Metallic Oxides such as Zinc Oxide, Lead Oxide, Plastic Additives and Lead Metals and Alloys. The Company has export sales of ~66% in FY18 Metal and Metallic Oxides Segment together contributed about 87% of the total turnover and the Plastic Additives Segment for about 13% of the turnover. The Plastic Additives business remains the most profitable segment of the Company.

Mr. Devkar Bansal and Mr. Sunil Kumat Bansal are the Managing Directors of the Company.



Financial Performance

POEL reported total operating income of Rs.485.56 Crs and PAT of Rs.2.67 Crs in FY18 as against total operating income of Rs. 317.47 Crs and PAT of Rs. 0.78 Crs in FY17. Tangible Net worth as on 31st March 2018 was Rs. 41.12 Crs. Gearing was high at 2.54 times as on March 31 2018. On an unaudited basis, the Company has reported gross revenue of ~Rs.350 crs for 9MFY19.

Key financial indicators are given in Annexure II

Status of non-cooperation with previous CRA (if applicable): NA

Any other information : NA

Rating History for the last three years :

Sl. No.	Facility	Current Rating (Apr 2019)			Rating History*		
		Type	Amount (Rs Crs)	Rating	16 Feb 2018^^	2017	07 Nov 2016^
1.	CC/OBDD/WCDL	Long term	47.70	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable Reaffirmed	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable Reaffirmed	-	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable Upgraded
2.	Term Loan		2.09				
3.	PC/PCFC/FDB		23.00	BWR A3 (Pronounced as BWR A Three) Reaffirmed	BWR A3 (Pronounced as BWR A Three) Reaffirmed	-	BWR A3 (Pronounced as BWR A Three) Upgraded
5.	ILC/FLC/BC/BG	15.30					
Total			88.09	Rupees Eighty Eight Crores and Nine lakhs Only			

* Initially rating of BWR BB+(Outlook -Stable)/ BWR A4+ was assigned on 10 Aug 2015 for bank loan facilities of Rs. 42.50 crs ; ^amount rated Rs. 57.27 crs; ^^amount rated Rs. 71.97 crs

Hyperlink/Reference to applicable Criteria

- [Short Term Debt](#)
- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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POCL Enterprises Limited
Annexure I : Bank Loan Facilities

Facilities	Canara Bank	HDFC Bank	Total (Rs Crs)
Fund Based			
Cash Credit	22.70	25.00	47.70
PC/PCFC/FDB	13.00	10.00	23.00
Term Loan	0.59	1.50	2.09
Fund Based			
ILC/FLC/BC/BG	5.30	10.00	15.30
Total (Rs Crs)	41.59	46.50	88.09

POCL Enterprises Limited
Annexure II - Key Financial Indicators

Particulars		31 March 2017	31 March 2018
		Audited	Audited
Total Operating Income	Rs. Crs	317.47	485.56
EBITDA	Rs. Crs	5.44	11.13
PAT	Rs. Crs	0.78	2.67
Tangible Net worth	Rs. Crs	38.41	41.12
Total Debt/ TNW	Times	1.85	2.54
Current Ratio	Times	1.09	1.07



For print and digital media

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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.

DISCLAIMER

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