

February 01, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	1.75	SMERA BBB-/Stable/Assigned
Letter of Credit	3.75	SMERA A3 /Assigned
Bank Guarantee	3.75	SMERA A3 /Assigned

SMERA has assigned a rating of '**SMERA BBB-**' (read as SMERA Triple B minus) to the Rs. 1.75 crores long term facilities (fund based) and '**SMERA A3**' (read as SMERA A three) to the Rs. 7.50 crores short term facilities (non – fund based) of Pioneer Furnaces Private Limited (PFPL). The outlook is '**Stable**'. The ratings consider PFPL's long and established standing in the induction and heat treatment furnace segment, strong execution capability demonstrated through proven track record of timely execution of the projects and comfortable financial profile characterized by low leverage, stable profit margins and healthy cash flow from operations. The ratings are however, constrained by the small scale of operations and risks associated with uncertainty in the capital goods industry, lack of repeat orders of a higher value and significant decrease in projections for FY 2013.

PFPL is a small player in the induction and heat treatment furnace segment which is mainly used for holding and melting of non-ferrous alloys like copper, aluminium and zinc and has a track record of around four decades in related field. Since PFPL is in the manufacturing of capital goods, its revenues are subject to fluctuations due to lack of repeat orders of a higher value.

Apart from its long standing presence and rich experience of promoters, PFPL also benefits from comfortable financial profile on account of absence of any long term debt from banks/financial institutions. Its Total Borrowings to Tangible Net worth ratio stands at 0.09 as on 31/Mar/2012.

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Outlook: Stable

PFPL has 'Stable' outlook. SMERA believes that PFPL will maintain its comfortable financial profile on account of strong customer profile supporting stability to revenue, no significant debt funded expansion plan on the horizon and promoter's rich experience and long standing presence in the induction and heat treatment furnace segment. However, the company's ability to scale up its operations on the back of repeat orders, maintain its profit margins and retain comfortable liquidity position remains the key rating drivers.

About Pioneer Furnaces Private Limited

PFPL was established as a partnership firm in the year 1972 and in the year 1986, the constitution of the partnership firm was changed to Private Limited Company. The Company is engaged in manufacturing of induction melting & holding furnaces, heat treatment furnaces mainly for non-ferrous and servicing of furnaces. PFPL caters mainly to the metal industry and auto ancillary companies all over India.

PFPL is a closely held company and the management comprises of competent and qualified persons in the field of engineering.

For FY 2012, PFPL reported a net profit of Rs. 6.39 crores on a total income Rs. 39.81 crores as against a net profit of Rs. 0.39 crores on a total income of Rs. 7.91 crores for FY 2011.

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