

September 19, 2014

Facilities	Amount (Rs. Crore)	Rating
FBD/FBP/FBN *	5.00	SMERA BB-/Stable (Assigned)
Working Capital Demand Loan^	1.00	SMERA BB-/Stable (Assigned)

*sub-limit of Export packing credit (EPC) to the extent of Rs. 2.50 crore

[^]conditional

SMERA has assigned rating of '**SMERA BB-**' (**read as SMERA double B minus**) to the Rs. 6.00 crore long term (fund based) bank facilities of Enefpy Fashions Private Limited (EFPL). The outlook is '**Stable**'. For arriving at the rating, SMERA has consolidated the business and financial risk profiles of Enefpy Fashions Private Limited (EFPL) and Pahwa International (PI), together referred to as the 'Pahwa Group'. The consolidation is in view of the common ownership and similar business models of the entities.

The rating is supported by the group's long track record of operations and experienced management. The rating is further supported by the group's moderate financial risk profile. However, the rating is constrained by group's exposure to intense competition in the leather industry. The rating is also constrained by the susceptibility of the group's profit margins to volatility in raw material prices.

Pahwa Group, established in 1995, is a Delhi-based group engaged in manufacturing and export of leather jackets and accessories. Pahwa Group benefits from its experienced management. Mr. Surinder Singh Pahwa, promoter of the Pahwa Group, has around three decades of experience in the leather industry.

Pahwa Group's moderate financial risk profile is reflected in leverage of 5.39 times as on March 31, 2013 and interest coverage ratio of 2.25 times in FY2012-13 (refers to financial year, April 01 to March 31). The group reported comfortable net profit margin of 5.52 per cent in FY2012-13. Pahwa Group faces intense competition from several players in the unorganized segment of the leather industry. The group's raw material cost as a proportion of total operating cost is high at ~50 per cent. Pahwa Group's profit margins are thus highly susceptible to volatility in prices of raw material (leather).

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Outlook: Stable

SMERA believes Pahwa Group will maintain a stable business risk profile over the medium term. The group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group achieves sustained growth in revenues and profitability with improvement in capital structure. The outlook may be revised to 'Negative' in case of stretch in the group's working capital cycle, or in case of deterioration in the group's financial risk profile.

About the company

EFPL, established in 2005, is managed by Mr. Surinder Singh Pahwa. EFPL is a part of the Pahwa Group. The company is engaged in manufacturing and export of leather jackets and accessories.

For FY2012-13, EFPL reported net profit after tax of Rs.0.10 crore on total income of Rs.3.15 crore, as compared with net profit after tax of Rs.0.53 crore on total income of Rs.11.54 crore in FY2011-12. EFPL registered revenue of Rs.8.21 crore (provisional) during April 2013 to March 2014. EFPL's net worth stood at Rs.0.67 crore as on March 31, 2013, as compared with Rs.1.02 crore a year earlier.

About the group

Pahwa Group, established in 1995, is a Delhi-based group engaged in manufacturing and export of leather jackets and accessories. Pahwa Group comprises two entities viz. PI and EFPL.

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