

February 16, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	1.50	SMERA B-/Stable (Assigned)
Cash Credit (proposed)	4.50	SMERA B-/Stable (Assigned)
Term Loan (proposed)	3.50	SMERA B-/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B-**' (read as **SMERA single B minus**) to the Rs.9.50 crore bank facilities of Pioneer Profiles Private Limited (PPPL). The outlook is '**Stable**'. The rating is constrained by the company's small-scale operations and weak financial profile. The rating is also constrained by the company's exposure to intense competition in the steel industry. The rating factors in risks related to the company's stretched liquidity position. However, the rating draws comfort from the company's established operations and experienced management.

PPPL, incorporated in 1988, is a Hyderabad-based company engaged in manufacturing of cold rolled steel strips and general purpose (GP) tapes. PPPL has small-scale operations. The company's revenues declined from Rs.8.17 crore in FY2009-10 (refers to financial year, April 01 to March 31) to Rs.3.92 crore in FY2013-14. PPPL's weak financial risk profile is marked by high debt-equity ratio of ~3.30 times as on March 31, 2014 and low net cash accruals of Rs.0.05 crore in FY2013-14. The company has a stretched liquidity position on account of high inventory holding of 439 days in FY2013-14. PPPL's cash credit utilisation is high at ~99 per cent for the period June 2014 to November 2014.

PPPL benefits from its experienced management. Mr. Mohd Gulam Muruza, chief executive officer of PPPL, has around two decades of experience in the steel industry.

Outlook: Stable

SMERA believes PPPL will continue to benefit over the medium term from its experienced management and established operations. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while achieving improvement in profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability amidst intensifying competition in its area of operations, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the company

PPPL, incorporated in 1988, is a Hyderabad-based company engaged in manufacturing of cold rolled strips and GP tapes. PPPL's products are used in various industries such as pharmaceuticals, electronics and general engineering.

For FY2013-14, PPPL reported profit after tax (PAT) of Rs.0.05 crore on operating income of Rs.3.92 crore, as compared with net loss of Rs.0.18 crore on operating income of Rs.1.66 crore in FY2012-13. PPPL's net worth stood at Rs.1.04 crore as on March 31, 2014, as compared with Rs.0.99 crore a year earlier.

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