

May 10, 2016

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

SMERA has reaffirmed the long-term rating of '**SMERA B-**' (read as SMERA B minus) on the Rs.9.50 crore bank facilities of Pioneer Profiles Private Limited (PPPL). The outlook is '**Stable**'. The rating is constrained by the small-scale of operations, declining profit margins and working capital intensive business. The rating is also constrained by the company's exposure to intense competition in the steel industry. However, the rating draws comfort from the established operations and experienced management.

Updates

PPPL's sales registered an increase in FY2015 at Rs.8.89 crore compared to Rs.3.92 crore in FY2014. However, the profit margins declined with the company registering 0.65 per cent in FY2015 as compared to 1.22 per cent for FY2014.

PPPL's tangible net worth stood at Rs.3.56 crore as on March 31, 2015, as compared with Rs.3.00 crore a year earlier. The company's leverage (debt-equity ratio) remained moderate at 1.22 times as on March 31, 2015. However, the interest coverage ratio is low at 1.10 times for FY2015.

PPPL has an elongated working capital cycle denoted by GCA days of 297 days. Further, the company has fully utilised its cash credit facility and availed of short term working capital assistance through NSIC raw material assistance scheme.

Rating Sensitivity Factors

- Sustainable and substantial increase in revenues
- Improvement in profit margins
- Working capital management

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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' if 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 of failure in achieving the projected scalability amidst intensifying competition in its area of operations or deterioration in the 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 the manufacture of cold rolled strips and GP tapes used in various industries such as pharmaceuticals, electronics and general engineering.

For FY2014-15, PPPL reported profit after tax (PAT) of Rs.0.06 crore on operating income of Rs.8.89 crore, as compared with net loss of Rs.0.05 crore on operating income of Rs.3.92 crore in FY2013-14.

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