



SMERA RATINGS LIMITED

Petropol India Limited (PIL)

Rating Rationale

March 18, 2015

Facility	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA BB/Stable (Assigned)

SMERA has assigned a long-term rating of **'SMERA BB' (read as SMERA double B)** to the abovementioned bank facility of Petropol India Limited (PIL). The outlook is **'Stable'**. The rating is supported by the company's moderate financial risk profile, comfortable liquidity position and experienced management. However, the rating is constrained by the susceptibility of the company's profit margins to volatility in raw material prices. The rating is also constrained by the company's exposure to intense competition in the iron and steel industry.

PIL, incorporated in 1995, is a Delhi-based company engaged in manufacturing of thermo mechanically treated (TMT) bars. PIL's moderate financial risk profile is marked by leverage (debt-equity ratio) of 2.11 times as on March 31, 2014 and interest coverage ratio of 2.03 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's comfortable liquidity position is reflected in moderate average utilisation (76 per cent) of cash credit limit during January 2014 to January 2015. PIL benefits from its experienced management. Mr. Ashok Garg, director of PIL, has 24 years of experience in the iron and steel industry.

PIL's profit margins are highly susceptible to volatility in raw material (mild steel) prices. The company faces intense competition from several players in the unorganized segment of the iron and steel industry.

Outlook: Stable

SMERA believes PIL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues and profitability. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

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About the company

PIL, incorporated in 1995, is a Delhi-based company engaged in manufacturing of TMT bars. PIL has a manufacturing unit in Bhiwadi (Rajasthan), with total installed capacity of 60,000 metric tonnes per annum. The overall operations of the company are managed by Mr. Ashok Garg and Mr. Vijay Garg.

For FY2013-14, PIL reported profit after tax (PAT) of Rs.0.54 crore on operating income of Rs.258.16 crore, as compared with PAT of Rs.0.71 crore on operating income of Rs.290.45 crore in FY2012-13. The company reported revenue of Rs.224.73 crore (provisional) during April 2014 to December 2011. PIL's net worth stood at Rs.8.26 crore as on March 31, 2014, as compared with Rs.7.72 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in Web: www.smera.in	Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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