

Press Release

PETROPOL INDIA LIMITED

29 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable (Suspension Revoked, Rating Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (**read as SMERA double B plus**) on the Rs.14.00 crore bank facilities of PETROPOL INDIA LIMITED (PIL). The outlook is '**Stable**'.

In incorporated in 1995, PIL is a Rajasthan-based company led by Mr. Vijay Garg, Mr. Kamal Bansal and Mr. Ashok Kumar Garg. The company is engaged in the manufacturing of TMT Mild Steel bars at Bhiwadi (Rajasthan) and has installed capacity of 60000 metric tons per annum. The products are sold under the 'Metro' brand name. PIL is an ISO certified company (ISO 9001-2008). It is also approved by DGS&D (Director General of supplies and disposal)

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

PIL was established in 1995 by Mr. Vijay Garg, Mr. Kamal Bansal and Mr. Ashok Kumar. The operations are led by Mr. Ashok Garg who has extensive experience in the steel industry. The senior management is supported by an able second line of management.

- Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.10.77 crore as on 31 March, 2017 as against Rs.10.42 crore as on 31 March, 2016. The gearing deteriorated to 2.11 times as on 31 March, 2017 from 2.03 times as on 31 March, 2016. The Interest Coverage Ratio stood at 2.21 times for FY2017 and 3.36 times for FY2016. The DSCR stood at 2.10 times for FY2017 and 3.36 times for FY2016. The TOL/TNW stood at 5.70 times as on 31 March, 2017 as against 5.32 times as on 31 March, 2016. The NCA/TD stood at 0.09 times in FY2017 and 0.10 times in FY2016.

- Moderate working capital management**

PIL has moderate working capital cycle marked by Gross Current Asset (GCA) of 117 days in FY2017 and 109 days in FY2016. The moderate GCA is on account of debtors of 73 days and inventory of 29 days in FY2017. Further, the average cash credit utilisation stood around ~90 percent for the last six months ended December, 2017.

Weaknesses

- Uneven revenue trend**

Revenue of PIL has been uneven during the period under study (FY2014-15 to FY2016-17). In FY2017 the company registered operating income of Rs. 180.20 crore as against Rs. 174.28 crore in FY2016 and Rs. 251.93 crore in FY2015. Further, the revenue from April to February, 2018 stood at Rs. 179.34 crore (Provisional). The company expects to book revenue of around Rs. 190 crore for FY2018.

- Volatility in raw material prices, intense market competition**

The margins of the company are susceptible to volatility in commodity prices. Any significant change in commodity prices over supply would have an impact on the margins. PIL operates in a highly competitive

industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Petropol India Limited to arrive at the rating.

Outlook: Stable

SMERA believes that PIL will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues while achieving improvement in profitability. Conversely the outlook may be revised to 'Negative' in case of elongation in working capital requirements thereby increasing pressure on margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	180.20	174.28	250.90
EBITDA	Rs. Cr.	3.90	2.93	3.93
PAT	Rs. Cr.	0.35	0.37	0.24
EBITDA Margin	(%)	2.16	1.68	1.57
PAT Margin	(%)	0.19	0.22	0.10
ROCE	(%)	7.00	4.58	16.83
Total Debt/Tangible Net Worth	Times	2.11	2.03	1.78
PBDIT/Interest	Times	2.21	3.36	2.39
Total Debt/PBDIT	Times	5.74	6.84	3.61
Gross Current Assets (Days)	Days	117	109	72

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition -<https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments -<https://www.smerra.in/criteria-fin-ratios.htm>
- Manufacturing Entities -<https://www.smerra.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore.)	Ratings/Outlook
27 May, 2016	Cash Credit	Long Term	10.00	SMERA BB/Stable (Suspended)

18 March, 2015	Cash Credit	Long Term	10.00	SMERA BB/Stable (Assigned)
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*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB+ / Stable

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Disha Parmar Analyst - Rating Operations Tel: 022-67141120 disha.parmar@smera.in	

ABOUT SMERA

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