

Trade Perfections: Upgraded

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	10.00 (Enhanced from 4.00)	SMERA B+/Stable (Upgraded from SMERA B/Stable)
Bank Guarantee	2.00	SMERA A4 (Withdrawn)

SMERA has upgraded the long term rating on the Rs.10.00 crore bank facility of Trade Perfections (TP) to **'SMERA B+' (read as SMERA B plus)** from 'SMERA B' (read as SMERA B). SMERA has also withdrawn the rating of **'SMERA A4' (SMERA A four)** on the abovementioned bank facility as the firm has not availed of the same as confirmed by the banker and the management. The outlook is **'Stable'**.

The upgrade takes into account the firm's improved financial risk profile marked by comfortable gearing and improved profitability margins. The rating continues to be supported by the firm's long track record of operations, experienced management and established business relationships. However, the rating continues to be constrained by the working capital intensive operations and intense competition in the power and transformer industry.

Update

TP has moderate financial risk profile marked by gearing (debt/equity) of 0.53 times in FY2015-16 (provisional) as compared to 1.85 times a year earlier. The interest coverage ratio has been moderate at 1.49 times in FY2015-16 (provisional) as against 1.53 times in FY2014-15. The current ratio of the firm has improved to 2.19 times in FY2015-16 (provisional) as against 1.10 times in FY2014-15. The operating margin stands at 2.36 percent in FY2015-16 (provisional) as against 1.91 percent in FY2014-15. The firm's net profit margin (PAT margin) stands at 0.28 percent in FY2015-16 (provisional) as compared to 0.09 percent in FY2014-15.

TP benefits from its experienced management. Mr. Rajesh Kumar Aggarwal, Director, has more than a decade of experience in the industry. Further, the firm has association of over a decade with its customers namely Century Infra Power Private Limited, Technical Associates Limited to name a few.

However, the rating is constrained by the highly competitive and fragmented nature of the industry. The rating is also constrained by the stretched liquidity on account of working capital intensive business marked by GCA days of 284 days in FY2015-16 (provisional) as against 243 days a year earlier.

Rating Sensitivity Factors

- Sustained improvement in scale of operations while maintaining profitability margins
- Efficient working capital management

Outlook: Stable

SMERA believes that TP will maintain a stable outlook over the medium term on account of its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenues and cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile.

Criteria Applied to arrive at rating:

- Manufacturing Entities

About the Firm

TP, established in 2006, is a Noida-based partnership firm promoted by Mr. Rajesh Agarwal. The firm manufactures transformers and related spare parts at Noida (UP).

For FY2015-16 (provisional), TP reported profit after tax (PAT) of Rs.0.24 crore on operating income of Rs.84.30 crore, as compared with PAT of Rs.0.06 crore on operating income of Rs.72.66 crore in FY2014-15. The net worth stood at Rs.31.78 crore (provisional) as on March 31, 2016, as compared with Rs.4.52 crore a year earlier. The total Networth of 31.78 crore in FY2015-16 (provisional) includes quasi equity of Rs.28.96 crore in FY2015-16 (Prov.) as compared to Rs.1.81 crore a year earlier.

Rating History

			Rating	
Date	Facilities	Amount (Rs. crore)	Long Term	Rating Outlook
10 Sept, 2015	Cash Credit	4.00	SMERA B (Assigned)	Stable
	Bank Guarantee	2.00*	SMERA A4 (Assigned)	-
	Proposed Cash Credit	4.00	SMERA B (Assigned)	Stable

*Rs. 1 Crore is fully interchangeable with cash credit limit.

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ABOUT SMERA

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