



Press Release

Paul & Company Steel Merchants Private Limited

October 24, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 32.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) on the Rs. 32.00 crore bank facilities of Paul & Company Steel Merchants Private Limited. The outlook is '**Stable**'.

Paul & Company Steel Merchants Private Limited (Paul & Co.) incorporated in 1985 is the sole distributor of TMT Bars of Tata Tiscon (Tata Steel) in Howrah and Hooghly districts of West Bengal. The company has a network of about 120 dealers.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The Director, Mr. Sunil Krishna Paul has more than three decades of experience in the trading of TMT Bars. The extensive experience has helped the company establish long term relations with customers and suppliers.

- Average financial risk profile**

The company has an average financial risk profile marked by moderate networth, high gearing and moderate debt protection metrics. The net worth increased to a modest Rs.8.53 crore in FY2017 (Provisional) compared to Rs.7.76 crore in FY2016. The gearing stood high at 2.96 and 2.97 times in FY2017 (Provisional) and FY2016 respectively. The interest coverage ratio and the debt service coverage ratio stood at 1.70 times and 1.48 times in FY2017 (Provisional) compared to 1.64 times and 1.43 times in FY2016. The Net Cash accruals to total debt (NCA/TD) stood at 0.03 times in FY2017 (Provisional) and FY2016 compared to 0.11 times in FY2015.

- Moderate working capital management**

The working capital management is marked by gross current asset (GCA) days of 120 in FY2017 (Provisional) and 103 in FY2016 as against 49 days in FY2015. The debtors stood at 26 days in FY2017 (Provisional) compared to 19 days in FY2016. The inventory days stood at 38 and 32 in FY2017 (Provisional) and in FY2016 respectively. Utilisation of bank facilities stood at 70 per cent in the last six months ended June 2017.

Weaknesses

- Low profitability margins**

Paul & Co. is engaged in the trading of TMT Bars of Tata Tiscon. The margins of the company are thin due to the trading nature of business. The operating margin decreased to 2.29 per cent in FY2017 (Provisional) from 2.60 per cent in FY2016. This is mainly on account of increase in employee costs and administrative expenses. The PAT margin stood at 0.66 per cent and 0.69 per cent in FY2017(Provisional) due to high interest burden.

- Intense competition**

Paul & Co. is exposed to intense competition from a large number of organised and unorganised players in the steel industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Paul & Co.

Outlook: Stable

SMERA believes that Paul & Co. will maintain a stable outlook over the medium term while benefitting from its promoters' experience, long track record of operations and long term relations with Tata Tiscon. The outlook may be revised to 'Positive' if the company registers more than expected revenue or if the profitability improves significantly. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or if the working capital cycle gets elongated.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), Paul & Co. reported profit after tax (PAT) of Rs.0.69 crore on total operating income of Rs.104.77 crore, compared with PAT of Rs.0.75 crore on total operating income of Rs.109.52 crore in FY2015-16.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Mar-2016	Secured Overdraft	Long Term	INR 17	SMERA BB+ / Stable
	Inventory Funding	Long Term	INR 15	SMERA BB+ / Stable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	11.00	SMERA BB+ / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB+ / Stable
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB+ / Stable

Inventory Funding	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB+ / Stable
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ABOUT SMERA

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