

March 12, 2016

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	2.50	SMERA B+/Stable (Assigned)
Term Loan	5.60	SMERA B+/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (read as **SMERA B plus**) to the abovementioned Rs.8.10 crore bank facilities of Papcon Indore Private Limited (PIPL). The outlook is '**Stable**'. The rating is constrained by the moderate financial risk profile and the highly competitive and fragmented industry. However, the rating is supported by the management's extensive experience and reputed customer base. The rating also factors in the significant y-o-y revenue growth.

Rating Sensitivity Factors

- Sustainable and substantial growth in revenues or operating margins
- Working capital management
- Revenue generation through contract renewal

Outlook – Stable

SMERA believes that PIPL will maintain a stable business profile in the medium term owing to the promoter's extensive industry experience. The outlook may be revised to 'Positive' if the company achieves higher than expected revenues while sustaining existing operating margins leading to improvement in the overall business risk profile. Conversely, the outlook may be revised to 'Negative' in case of further elongation in the working capital cycle resulting in deterioration of the financial risk profile especially liquidity.

About The Company

Incorporated in 1984, PIPL was engaged in the manufacture of paper till 2002 under the leadership of Purshottamdas Pasari. Subsequently, in 2003 the line of business was changed to garment manufacturing under the leadership of Ajay Pasari. The company began undertaking contract manufacturing on job work basis for clients. The manufacturing unit of the company located at Indore has a capacity of 5,00,000 garments per month.

The Company has planned to purchase sewing machines and renovate factory building. The total project cost is around Rs. 8 crore which will be funded through a term loan of Rs. 5.60 crore and promoter's fund of Rs. 2.40 crore.

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For FY2014-15, PIPL reported profit after tax (PAT) of Rs.0.17 crore, on operating income of Rs.8.91 crore, as compared with PAT of Rs.0.20 crore on operating income of Rs.5.44 crore in the previous year.

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