

March 17, 2016

Facilities	Amount (Rs. Crore)	Ratings
Packing Credit*	20.00	SMERA BB-/Stable (Assigned; Suspension Revoked)
FOBP	9.00	SMERA BB-/Stable (Assigned; Suspension Revoked)
FOBLC	10.00	SMERA A4 (Assigned; Suspension Revoked)

*Rs 3.00 crore bank facility of Packing Credit Limit is fully interchangeable with FOBP and FOUBP.

SMERA has revoked the suspension of rating assigned on the above mentioned bank facilities of Pahwa International (PI). The suspension was done on Dec 18, 2015 in the absence of requisite information for the surveillance process. However, the firm has now shared the required information with SMERA. Subsequently, SMERA has assigned rating of '**SMERA BB-**' (read as **SMERA double B minus**) and '**SMERA A4**' (read as **SMERA A four**) on the Rs.39.00 crore bank facilities. The outlook is '**Stable**'.

The ratings are constrained by the firm's declining revenues and moderate financial risk profile marked by high gearing and stretched liquidity position. The ratings are also constrained by the intense competition in the leather garments business. However, the ratings are supported by the experienced management and long track record of operations.

Update

PI's moderate financial risk profile is marked by moderate scale of operations, revenue of Rs.61.55 crore and high gearing (debt-to-equity) of 4.01 times as on March 31, 2015. Moreover, the interest coverage ratio stands at 1.63 times in FY2014-15. The (profit after tax) PAT margin declined to 4.80 per cent in FY2014-15 from 5.78 per cent in FY2013-14. PI operates in an intensely competitive segment of the leather garment industry.

Outlook: Stable

SMERA believes PI will maintain its business risk profile in the medium term owing to the established operations and extensive experience of the promoter in the business. The outlook may be revised to 'Positive' in case of improvement in revenue and net profitability, reduction in leverage and apt working capital management. Conversely, the outlook may be revised to 'Negative' in case of further stretch in working capital and deterioration in the capital structure.

Rating Sensitivity Factors

- Increasing revenue and profitability
- Improving working capital requirement

About the Firm

Pahwa International, incorporated in 1995 is engaged in the manufacture and export of leather garments such as leather jackets, blazers, trousers among others. The processing and manufacturing facility of the firm is located at New Delhi. The firm exports its products to Spain, U.K and Germany among others.

For FY2014-15, PI reported PAT of Rs.2.95 crore on operating income of Rs.61.55 crore, as compared with PAT of Rs.4.19 crore on operating income of Rs.72.50 crore for FY2013-14. The net worth stood at Rs.7.46 crore as on March 31, 2015, as compared with Rs.8.61 crore a year earlier.

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