

Pawan Tradecorp Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	4.50	SMERA B+/Stable (Assigned)
Bank Guarantee	2.00	SMERA A4 (Assigned)

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short-term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.6.50 crore bank facilities of Pawan Tradecorp Private Limited (PTPL). The outlook is '**Stable**'.

The ratings are constrained by the small scale of operations and working capital intensive business. The ratings also factor in the volatility in raw material prices of steel, cement and intense competition in the aforementioned industries. However, the ratings draw support from the experienced management and moderate financial risk profile marked by moderate gearing and interest coverage ratio.

PTPL, (the erstwhile Pawan Infrastructure Private Limited) was established by Mr. Chandra Prakash Khandelwal, Mr. Prashant Kumar Khandelwal and Mr. Pawan Khandelwal in 2005. The company is engaged in the manufacturing of RCC pipes and wholesale trading of cement and steel rods. The promoters possess experience of over a decade in the aforementioned line of business and largely cater to government bodies including PWD, RES (Rural Engineering Services), WRD (Water Recourse Development) among others.

PTPL has small scale of operations. The revenue stood at Rs.19.02 crore in FY2015-16 as compared to Rs.16.76 crore in FY2014-15. The company has working capital cycle of 74 days in FY2015-16 against 49 days in FY2014-15. Besides, the profit margins are exposed to volatility in raw material prices of cement and steel. The company operates in an intensely competitive segment in the cement and steel industries.

The financial risk profile is moderate marked by gearing (debt-to-equity) of 1.16 times as on March 31, 2016 against 1.44 times in FY14-15. Moreover, the interest coverage ratio stood at 2.14 times in FY2015-16 as against 2.03 times in FY2014-15. The net profit margin stood at 1.70 per cent in FY2015-16 against 1.58 per cent in FY2014-15.

Rating Sensitivity Factors

- Increasing scale of operations while improving profitability
- Improvement in the working capital cycle

Outlook-Stable

SMERA believes that PTPL will maintain a stable outlook over the medium term owing to its long standing presence in the steel industry and extensive experience of the promoters. The outlook may be revised to 'Positive' if the company scales up its revenue with improvement in profit margins. Conversely, the outlook may be revised to 'Negative' if the capital structure and margins deteriorate further affecting the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing and Trading Entities

About the Company

The Indore-based PTPL was incorporated in 2005 by Mr. Chandra Prakash Khandelwal, Mr. Prashant Kumar Khandelwal and Mr. Pawan Khandelwal. The company manufactures RCC pipes and is also into wholesale trading of cement and steel rods. PTPL caters to both, the government and the private sector.

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.32 crore on operating income of Rs.19.02 crore, as compared with PAT of Rs.0.27 crore on operating income of Rs.16.76 crore in FY2014-15. The net worth stood at Rs.2.95 crore (included quasi equity of Rs.0.68 crore) as on March 31, 2016 as against Rs.2.43 crore (included quasi equity of Rs.0.15 crore) in the previous year.

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ABOUT SMERA

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