

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.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.