

Press Release
PAVAN TRADERS
August 18, 2023



Rating Reaffirmed & Withdrawn and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BB Reaffirmed & Withdrawn	-
Bank Loan Ratings	1.00	Not Applicable Withdrawn	-
Bank Loan Ratings	2.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	15.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long term rating of **ACUITE BB** (read as **ACUITE double B**) and reaffirmed and withdrawn its short term rating of **ACUITE A4+** (read as **ACUITE A four plus**) on the Rs 14.00 crore bank facilities. The proposed long term rating is withdrawn on bank facilities of Rs 1 Cr of Pavan Traders (PT). The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

Rationale for rating Reaffirmation

The rating assigned takes into account the established track record of operations of almost a decades along with experienced management. The rating draws comfort from the group's improved operating performance in FY2023 (Prov), moderate working capital operations and adequate liquidity position. However, the strengths of the company are partially offset by highly fragmented and competitive industry.

About Company

Telangana based PT was incorporated in the year 2008 as a proprietorship concern by proprietor Mr. Kolluri Pavan Kumar and is managed by both, Mr. Kolluri Pavan Kumar and his father Mr. Kolluri Hari Babu. The firm is engaged in the trading business of coal, sponge iron and steel products.

About the Group

'Kolluri Impex Private Limited'

KIPL was incorporated in the year 2012 as a private limited company by the Kolluri family in Hyderabad, Telangana. The company is engaged in the trading business of coal, sponge iron and steel products.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated business and financial risk profiles of Kolluri Impex

Private Limited and Pavan Traders together known as 'Kolluri Group'. The consolidation is due to common management and similar line of business.

Key Rating Drivers

Strengths

Experienced Management with established track record of operations

The Kolluri Group (KG) was initially established in the year 2008 by the Kolluri Family. Kolluri Impex Private Limited was incorporated in the year 2012 after incorporation of Pavan Traders as a proprietorship firm in 2008 by the proprietor Mr. Pavan Kumar along with his father Mr. Hari Babu. The group has established track record of more than a decade in trading business of coal, sponge iron and steel products. The promoters of the group possess vast experience of over three decades in this industry and are ably assisted by an experienced second line of management. Operating Income for the FY23 (Prov) stood at Rs 436.69 crore as against Rs. 321.67 crore for FY22. The reason for growth in turnover is mainly due to increase in the prices of raw materials. Further, EBITDA Margin for the FY23 (Prov) stood at 2.03% as against 2.46% in FY22. The Profit after tax margins (PAT) stood at 0.91% in FY23 (Prov) from 1.06% in FY22. The company is geographically diversified in southern parts such as Hyderabad, Telangana & Andhra Pradesh. Acuité believes that group will benefit from experienced management which will help the group to maintain long standing relations with its customers and suppliers in the medium term.

Moderate Financial risk profile

The financial risk profile of the group remained healthy marked by average net worth, moderate debt protection metrics and average gearing ratio. The net worth of Kolluri group stood at Rs 23.51 Cr as on FY23 (Prov) as against Rs 20.61 Cr as on FY22. The gearing level (debt-equity) stood at 1.35 times as on FY23 (Prov) as against 1.83 times as on FY22. Total outside liabilities to Tangible net worth (TOL/TNW) ratio stood high at 2.07 times in FY23 (Prov) as against 2.70 times in FY22. The coverage indicators are moderate marked by Interest Coverage Ratio (ICR) of 2.24 times for FY23 (Prov) as against 2.19 times for FY22. Debt service coverage ratio (DSCR) stood at 2.08 times in FY23 (Prov) as compared with 2.03 times in FY22. Acuité believes that in the absence of any further significant capex plans, the financial risk profile of the group is expected to remain moderate in near to medium term.

Weaknesses

Highly fragmented and competitive industry

The group operates in a highly competitive and fragmented industry and faces tough competition from large number of organized as well as unorganized players affecting the margins.

Inherent risk of capital withdrawal in a partnership firm

The Firm is susceptible to the inherent risk of capital withdrawal given its constitution as a partnership. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

Improvement in revenue and profitability going forward.

Elongation in working capital cycle resulting in adequate liquidity

Material Covenants

None

Liquidity Position

Adequate

Liquidity of Kolluri group is adequate as the cash accruals generated of Rs. 4.30 Cr in FY23 (Prov) against NIL maturing debt obligation during the same period. The current ratio stood at 1.93 times in FY23 (Prov). The company has unencumbered cash and bank balances of Rs 0.01 Cr as on 31 March 2023 (Prov).

Acuite believes that liquidity may continue to remain adequate in near term with increase in operations and no major debt-funded capex plans.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	436.69	321.67
PAT	Rs. Cr.	3.97	3.42
PAT Margin	(%)	0.91	1.06
Total Debt/Tangible Net Worth	Times	1.35	1.83
PBDIT/Interest	Times	2.24	2.19

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

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 May 2023	Bills Discounting	Long Term	2.00	ACUITE BB (Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE BB (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	1.00	ACUITE BB (Issuer not co-operating*)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Issuer not co-operating*)
15 Feb 2022	Proposed Bank Facility	Long Term	1.00	ACUITE BB (Issuer not co-operating*)
	Bills Discounting	Long Term	2.00	ACUITE BB (Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE BB (Issuer not co-operating*)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Issuer not co-operating*)
28 Dec 2020	Bills Discounting	Long Term	2.00	ACUITE BB Stable (Assigned)
	Proposed Bank Facility	Long Term	1.00	ACUITE BB Stable (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB Reaffirmed & Withdrawn
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BB Reaffirmed & Withdrawn
Bank of Maharashtra	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	Not Applicable Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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