



SMERA RATINGS LIMITED

Plaza Wires Private Limited (PWPL)

Rating Rationale

March 31, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	22.00	SMERA BB+/ Stable (upgraded from SMERA BB/Stable)
Cash Credit (proposed)	3.00	SMERA BB+/ Stable (Assigned)
Term Loan (proposed)	1.50	SMERA BB+/ Stable (Assigned)

SMERA has upgraded the long-term rating on the Rs.22.00 crore bank facility of Plaza Wires Private Limited (PWPL) to '**SMERA BB+**' (read as **SMERA double B plus**) from 'SMERA BB' (read as SMERA double B). Further, SMERA has assigned a long-term rating of '**SMERA BB+**' to the Rs.4.50 crore proposed bank facilities of PWPL. The outlook is '**Stable**'. The upgrade reflects improvement in the company's debt protection metrics and net profit margin. The upgrade also considers the healthy revenue growth registered by the company. The rating continues to draw comfort from the company's experienced management and comfortable liquidity position. However, the rating remains constrained by the susceptibility of the company's profit margins to volatility in raw material prices and intense competition in the cables and wires industry.

Update

PWPL's promoters have infused equity capital of Rs.1.30 crore in the company during FY2013-14 (refers to financial year, April 01 to March 31). PWPL's interest coverage ratio has improved from 1.51 times in FY2012-13 to 1.62 times in FY2013-14. The company's net profit margins increased to 0.93 per cent in FY2013-14 from 0.80 per cent in the previous year. PWPL's net sales increased from Rs.95.26 crore in FY2012-13 to Rs.107.32 crore in FY2013-14. The company's debt-to-capital ratio increased marginally to 0.93 times as on March 31, 2014 (from 0.91 times as on March 31, 2013) on account of additional bank debt of Rs.2.08 crore.

PWPL continues to benefit from its experienced management. Mr. Sanjay Gupta, managing director of PWPL, has around 25 years of experience in the company's line of business. PWPL's comfortable liquidity position is reflected in moderate utilisation (88 per cent) of cash credit limit during July 2014 to January 2015.

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Plaza Wires Private Limited (PWPL)

*Rating
Rationale*

Outlook: Stable

SMERA believes PWPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers sustained improvement in profit margins, coverage indicators and working capital management. The outlook may be revised to 'Negative' in case of deterioration in the company's financial profile.

About the company

PWPL (formerly known as Navratna Wires Private Limited) is a Delhi-based company incorporated in 2006. PWPL is a part of the Plaza Cables Group of Companies, established in 1934 by Mr. Bhim Sain Gupta.

PWPL has a manufacturing unit in Baddi (Himachal Pradesh), with total installed capacity of 0.12 crore coils per annum. The overall operations of the company are currently managed by Mr. Sanjay Gupta and Mrs. Sonia Gupta.

For FY2013-14, PWPL reported profit after tax (PAT) of Rs.0.99 crore on operating income of Rs.107.32 crore, as compared with PAT of Rs.0.77 crore on operating income of Rs.95.18 crore in FY2012-13. The company's net worth stood at Rs.19.18 crore as on March 31, 2014, as compared with Rs.17.37 crore a year earlier. PWPL has reported revenue of Rs.86.09 crore (provisional) for the period April 2014 to January 2015.

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