

**May 19, 2015**

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>5.00</b>	<b>SMERA BB/Stable (Assigned)</b>
<b>Bank Guarantee</b>	<b>2.00</b>	<b>SMERA A4+ (Assigned)</b>
<b>Letter of Credit</b>	<b>1.00</b>	<b>SMERA A4+ (Assigned)</b>

SMERA has assigned a long-term rating of '**SMERA BB**' (read as SMERA double B) and a short-term rating of '**SMERA A4+**' (read as SMERA A four plus) to the abovementioned bank facilities of Paviter Metals Private Limited (PMPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management and healthy financial profile. However, the ratings are constrained by the company's exposure to intense competition in the steel trading business. The ratings are also constrained by the company's low profit margins.

PMPL, incorporated in 2008, is a Ludhiana-based company engaged in trading of steel products. PMPL benefits from its experienced management. The directors of the company have around two decades of experience in the steel industry. PMPL's healthy financial profile is marked by low gearing (debt-equity ratio) of 0.67 times as on March 31, 2014 and moderate interest coverage ratio of 1.73 times in FY2013-14 (refers to financial year, April 01 to March 31). The company's total debt of Rs.7.80 crore (as on March 31, 2014) includes subordinated unsecured loans of Rs.3.34 crore from related parties. SMERA has treated such unsecured loans as quasi-equity. PMPL's revenue has increased at a strong growth rate of 35.78 per cent from Rs.72.42 crore in FY2012-13 to Rs.181.30 crore in FY2013-14.

PMPL faces intense competition from several players in the steel industry. The company's operating profit margin is low at 0.96 per cent in FY2013-14.

### **Outlook: Stable**

SMERA believes PMPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth and cash accruals while achieving sustained improvement in profitability. The outlook may be revised to 'Negative' in case of substantial decline in the company's revenues and cash accruals, or in case of stretch in the company's working capital cycle.

### **About the company**

PMPL, incorporated in 2008, is a Ludhiana-based company promoted by members of the Dhawan family. PMPL is engaged in trading of steel angles, channels, rounds, flats and billets.

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For FY2013-14, PMPL reported profit after tax (PAT) of Rs.0.50 crore on operating income of Rs.181.47 crore, as compared with PAT of Rs.0.27 crore on operating income of Rs.121.51 crore in FY2012-13. The company's net worth stood at Rs.6.69 crore (including unsecured loan of Rs.3.34 crore) as on March 31, 2014, as compared with Rs.4.80 crore (including unsecured loan of Rs.1.94 crore) a year earlier.

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