

Paviter Metals Private Limited: Downgraded

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.00	SMERA BB-/Stable (Downgraded from SMERA BB/Stable)
Bank Guarantee	2.00	SMERA A4 (Downgraded from SMERA A4+)
Letter of Credit	1.00	SMERA A4 (Downgraded from SMERA A4+)

SMERA has downgraded the ratings on the Rs.8.00 crore bank facilities of Paviter Metals Private Limited (PMPL) to **'SMERA BB-' (read as SMERA double B minus)** and **'SMERA A4' (read as SMERA A four)** from 'SMERA BB' (read as double B) and 'SMERA A4+' (read as SMERA A four plus). The outlook is **'Stable'**. The rating downgrade reflects significant deterioration in its financial risk profile due to decline in revenue, profitability, coverage indicators and net cash accruals. The ratings are further constrained by the modest scale of operations and intense competition in the steel trading business. However, the ratings are supported by the company's experienced management and reputed clientele.

Update

PMPL's operating profit margin has been low at 0.99 per cent in FY2014-15. The interest coverage ratio has declined from 1.73 times in FY2013-14 (refers to financial year, April 01 to March 31) to 1.64 times in FY2014-15. The cash credit utilisation has been comfortable at 65 per cent during December 2015 to March 2016. PMPL's debt service coverage ratio declined from 1.56 times in FY2013-14 to 1.48 times in FY2014-15. The company reported net profit of Rs.0.34 crore on operating income of Rs.159.91 crore in FY2014-15, as compared with net profit of Rs.0.50 crore on operating income of Rs.181.47 crore in FY2013-14. Further, the company achieved revenue of ~Rs.123.00 crore in FY2015-16. PMPL's net worth stood at Rs.6.29 crore (including unsecured loan of Rs.2.60 crore as quasi-equity) as on March 31, 2015, as compared with Rs.6.69 crore (including unsecured loan of Rs.3.34 crore as quasi-equity) a year earlier. The company faces intense competition from several players in the steel industry.

PMPL, incorporated in 2008, is a Ludhiana-based company engaged in the trading of steel products. The company is headed by Mr Dhawan (Director) and family who possess two decades of experience in the steel industry.

Rating Sensitivity Factors

- Scaling up operations while improving profit margins
- Improvement in the financial risk profile

Outlook: Stable

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

Criteria applied to arrive at the ratings:

- Trading Entities

About the Company

PMPL, incorporated in 2008, is a Ludhiana-based company promoted by Mr Dhawan and family. The company is engaged in the trading of steel angles, channels, rounds among others.

For FY2014–15, PMPL reported profit after tax (PAT) of Rs.0.34 crore on operating income of Rs.159.91 crore, as compared with PAT of Rs.0.50 crore on operating income of Rs.181.47 crore in FY2013–14. The company's net worth stood at Rs.6.29 crore (including unsecured loan of Rs.2.60 crore) as on March 31, 2015, as compared with Rs.6.69 crore (including unsecured loan of Rs.3.34 crore) a year earlier. Further, the company has achieved revenue of ~Rs.123.00 crore in FY2015-16.

Rating History

			Ratings		
Date	Name of the Instruments	Amount (Rs. crore)	Long Term	Short Term	Rating/ Outlook
19 May, 2015	Cash Credit	5.00	SMERA BB (Assigned)	-	Stable
	Bank Guarantee	2.00	-	SMERA A4+ (Assigned)	-
	Letter of Credit	1.00	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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