

May 29, 2014

Facilities	Amount (Rs. Crore)	Rating
Export Packing Credit	3.20*	SMERA B/Stable (Assigned)
FBP/FBD	0.80*^	SMERA B/Stable (Assigned)
Stand By Limit	0.80	SMERA B/Stable (Assigned)
Proposed Long-Term Limit	1.20	SMERA B/Stable (Assigned)

*Fully interchangeable both ways

^Fully interchangeable with bills sent under collection

SMERA has assigned a rating of '**SMERA B' (read as SMERA single B)** to the Rs.6.00 crore long-term bank facilities of Pawan Enterprises (Pawan). The outlook is '**Stable**'. The rating is constrained by the firm's modest scale of operations amidst intense competition in the textile industry. The rating is also constrained by the firm's significant exposure to external parties. However, the rating is supported by the firm's long track record of operations, established customer relations and experienced management. The rating also draws comfort from the firm's entitlement to subsidies and duty drawback benefits provided by the government.

Pawan, established in 1979, is a Jaipur-based partnership firm engaged in manufacturing and export of cotton-based readymade garments. Pawan faces intense competition in the textile industry, which is highly fragmented with the presence of several small players in the unorganized sector. Moreover, high labour cost and low-level technology has adversely affected the competitiveness of Indian textiles in the global market. Pawan's significant exposure to external parties is reflected in outstanding loans and advances of Rs.8.35 crore, as compared with the firm's net worth of Rs.9.03 crore as on March 31, 2013.

Pawan benefits from its long-standing relations with customers. The firm is also eligible to receive duty drawback benefits from the government. Pawan also benefits from its experienced management. Mr. Pawan Lashkery, partner of Pawan, has 30 years of experience in the textile industry.

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Outlook: Stable

SMERA believes Pawan will continue to maintain a stable business risk profile in the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected profitability while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected profitability, or in case of delays in realisation from debtors. Further increase in loans and advances to external parties will be a key rating sensitivity.

About the firm

Pawan, established in 1979, is a Jaipur-based partnership firm promoted by Mr. Shyam Sunder Lashkery and his family members. Pawan is engaged in manufacturing and export of readymade garments.

For FY2012-13, Pawan booked profit after tax (PAT) of Rs.2.04 crore on operating income of Rs.18.07 crore, as compared with PAT of Rs.0.72 crore on operating income of Rs.18.56 crore a year earlier. The firm's net worth stood at Rs.9.04 crore as on March 31, 2013, as compared with Rs.4.79 crore a year earlier.

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