



SMERA RATINGS LIMITED

Pawan Enterprises (Pawan)

Rating Rationale

August 13, 2015

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

* Fully interchangeable both ways

^Fully interchangeable with bills sent under collection

SMERA has reaffirmed the rating of '**SMERA B' (read as SMERA B)** to the Rs.6.00 crore long-term bank facilities of Pawan Enterprises (Pawan). The outlook is '**Stable**'. The rating continues to be constrained by the firm's modest scale of operations amidst intense competition in the textile industry and weak financial profile. However, the rating is supported by the long track record of operations, established customer relationships and experienced management. The rating is also supported by the firm's entitlement to subsidies and duty drawback benefits from the government.

Update

Pawan's revenues decreased to Rs.22.86 crore (provisional) in FY2014-15 from Rs.25.88 crore in FY2013-14 (refers to financial year, April 01 to March 31). The firm's operating profit margin increased to 9.69 per cent (provisional) in FY2014-15 from 8.18 per cent in FY2013-14.

The financial risk profile deteriorated marginally on account of decrease in the net worth of the firm. The gearing (debt-equity ratio) deteriorated to 4.82 times as on March 31, 2015 from 1.27 times as on March 31, 2014. Pawan's interest coverage ratio decreased from 5.03 times in FY2013-14 to 2.53 times (provisional) in FY2014-15.

Outlook: Stable

SMERA believes that Pawan will benefit from the promoter's experience in the textile industry. The outlook may be revised to 'Positive' if the firm's scale of operations increases substantially, while maintaining margins. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve the scalability amidst subdued macro-economic scenario or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Company

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

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For FY2014–15, Pawan reported net profit of Rs.1.31crore (provisional) on total income of Rs.22.86 crore, as compared with net profit of Rs.2.46 crore on total income of Rs.25.88 crore in FY2013–14. The company's net worth stood at Rs.6.13 crore as on March 31, 2014, as compared with Rs.9.04 crore a year earlier.

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