



## Patton International Limited

Instrument	Amount Rated	Rating Action
Fund Based Limit (Cash credit <sup>*</sup> )	Rs 45.00 crore	[ICRA]AA- (stable) upgraded
Fund Based Limits <sup>*</sup>	Rs 45.00 crore	[ICRA]A1+ reaffirmed
Non-Fund Based Limits (Bank Guarantee) <sup>#</sup>	Rs 1.50 crore	[ICRA]A1+ reaffirmed
Non - Fund Based Limits (Letter of credit) <sup>#</sup>	Rs 25.00 crore	[ICRA]A1+ reaffirmed

<sup>\*</sup>100% interchangeable

<sup>#</sup>interchangeable between letter of credit and bank guarantee to the extent of Rs. 10.00 crore

ICRA has upgraded the long term rating assigned to the Rs 45 crore<sup>\*</sup> fund based bank facility of Patton International Limited (PIL)<sup>†</sup> to [ICRA]AA- (pronounced as ICRA double A minus) from [ICRA]A+ (pronounced ICRA A plus). The outlook on the long term rating is Stable. ICRA has reaffirmed the [ICRA]A1+ (pronounced ICRA A one plus) rating assigned to the Rs 45 crore short term fund based bank facilities (sublimit of long term fund based facility) and Rs 26.50 crore short term non fund based bank facilities of PIL.

The rating upgrade takes into account PIL's high growth in export sales registered during April-June 2014 (Q1FY15) on a year on year basis, on the back of a growth in 2013-14 (FY14) as well, which reflects the credibility of the company's products among its large reputed export customer base. ICRA takes note of the entry barriers in PIL's line of business through stringent quality norms of the key customers that reduces competition. The upgrade also factors in PIL's consistently improving return on capital employed supported by healthy operating margins in the export business, and the absence of trading sales going forward, which is expected to render stability to the overall business returns. The ratings continue to draw comfort from its highly conservative capital structure and comfortable liquidity position that continues to be supported by a large portfolio of liquid investments, which also generates substantial non operating income. The ratings favourably take into account the company's strong market position in the plastic water tank business in West Bengal, although its contribution to the company's turnover was low at around 9% in 2013-14.

The ratings also factor in the company's moderate scale of current operations, high and increasing working capital intensity of operations and significant client concentration risks as more than three-fourth of exports business is derived from the top four clients. ICRA has taken cognisance of the favourable impact of rupee depreciation relative to the USD on the financial performance of PIL, which is moderated to an extent by the regular contract negotiation with the clients. Nonetheless, this provides a competitive edge to PIL, at least over the near term, over its competitors from China. While the company remains exposed to fluctuations in the foreign currency rates, its practice of entering into short term forward contracts to hedge against any adverse current movement, mitigates the risk to an extent. In ICRA's opinion, the ability of the company to grow its business significantly while maintaining its profitability would be a key rating sensitivity going forward.

### Company Profile

Incorporated in 1990, Patton International Limited is primarily engaged in manufacturing galvanised steel products, plastic pipes and plastic tanks. PIL has three manufacturing facilities located at Behala, Garia and Falta (all in West Bengal) engaged in manufacturing of galvanised steel products essentially used in the construction industry. PIL has one manufacturing facility located at Kotalia, West Bengal for manufacturing of plastic pipes and tanks. The entire steel production is exported to the USA, while the plastic products are sold in the domestic market.

<sup>\*</sup> 100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



### **Recent Results**

During FY14, PIL recorded a profit after tax (PAT) of Rs. 41.10 crore on an operating income (OI) of Rs. 235.81 crore as against a PAT and OI of Rs. 38.17 crore and Rs. 227.11 crore respectively in FY13.

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