

July 23, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	25.92	SMERA BB/Stable (Assigned)
Packing Credit	14.00	SMERA A4+ (Assigned)
Post Shipment	26.00	SMERA A4+ (Assigned)
Foreign Letter of Credit	5.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+** (read as **SMERA A four plus**) to the Rs.70.92 crore bank facilities of Punjab Stainless Steel Industries (PSSI). The outlook is '**Stable**'. The ratings are supported by the company's experienced management and healthy financial risk profile. However, the ratings are constrained by the company's exposure to intense competitive pressure. The ratings are also constrained by the company's exposure to project execution risk.

PSSI, established in 1979, is a New Delhi-based partnership firm engaged in manufacturing of stainless steel kitchenware products. PSSI benefits from its experienced management. The partners of PSSI have around four decades of experience in the firm's line of business. PSSI's healthy financial risk profile is marked by moderate gearing (debt-equity ratio) of 1.82 times as on March 31, 2014 and healthy interest coverage ratio of 3.12 times in FY2013-14.

PSSI has limited bargaining power against customers on account of the intense competition prevalent in the stainless steel kitchenware manufacturing industry.

PSSI is setting up a new unit in Sonepat, Haryana for manufacturing of non-stick utensils, ovens and aluminium brazen utensils. The total project cost is ~Rs. 31.16 Crore, which is likely to be funded through partner capital of Rs. 7.80 crore and term loan of Rs. 23.36 crore. PSSI is exposed to project execution risk as the construction of the new manufacturing unit is at nascent stage. The project is expected to be completed by September 2016. Any delay in project implementation, will impinge on the debt servicing ability of the company.

Outlook: Stable

SMERA believes PSSI will maintain a stable business risk profile in the near term on the back of its experienced partners and established track record of operations. The outlook may be revised to '**Positive**' in case the company registers higher-than-expected growth in revenues and profitability. Conversely the outlook may be revised to '**Negative**' in case of delays in project execution or lower than expected offtake from the project, or in case of significant elongation in the company's working capital cycle, leading to deterioration in the company's debt protection metrics.

About the company

PSSI is a New Delhi-based partnership firm established in 1979 by Mr. Paramjit Singh Sarna, Mr. Preetpal Singh Sarna and Mr. Harpal Singh Sarna. PSSI is engaged in manufacturing of stainless steel kitchenware products. The company has a manufacturing unit in Sonipat, Haryana.

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