

Punjab Stainless Steel Industries: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Term Loan	19.46	SMERA BB/Stable (Reaffirmed)
Packing Credit ~	14.00	SMERA A4+ (Reaffirmed)
Post Shipment *	32.00	SMERA A4+ (Reaffirmed)
Foreign Letter of Credit^	5.00	SMERA A4 +(Reaffirmed)
Proposed Long Term	0.46	SMERA BB/Stable (Assigned)

* Interchangeability from post shipment to pre-shipment by Rs. 10.00 Crore.

~Packing credit not to exceed Rs.24.00 crore at any point. Maximum limit of Packing credit and Post shipment not to exceed Rs. 46.00 crore

[^]The Inland/Import letter of credit of Rs. 5.00 crore include the bank guarantee of Rs. 0.50 crore.

SMERA has reaffirmed the long term ratings of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.70.92 crore bank facilities of Punjab Stainless Steel Industries (PSSI). The outlook continues to remain '**Stable**'.

The ratings continue to be supported by the experienced management and comfortable financial risk profile marked by growth in profitability and comfortable coverage ratios. However, the ratings continue to be constrained by the stretched liquidity on account of working capital intensive nature of business. SMERA also notes the intense competition in the stainless steel industry.

PSSI was incorporated in 1947 as a partnership firm by Mr. Paramjit Singh, Mr. Preet Pal Singh, Mr. Harpal Singh and Mr. Prabhit Singh. The promoters possess experience of over three decades in the aforementioned line of business.

PSSI has achieved operating income of Rs.82.84 crore in FY2015-16 (provisional), a marginally improvement from Rs.82.57 crore in FY2014-15. The comfortable financial risk profile is marked by PAT margin of 6.21 per cent in FY2015-16 (provisional) against 4.65 per cent in FY2014-15. The interest coverage is at 2.77 times in FY2015-16 (provisional) against 2.33 times in FY2014-15. The company has moderately high gearing (debt-to-equity) of 2.21 times in FY2015-16 (provisional) against 1.68 times in FY2014-15.

However, PSSI has stretched liquidity position as evident from the high gross current asset days of 194 days in FY2015-16 (provisional) as compared to 165 days in FY2014-15. Also, PSSI operates in an intensely competitive segment of the stainless steel product industry.

Outlook- Stable

SMERA believes that PSSI will continue to maintain a stable outlook in the medium term owing to the established operations and extensive experience of the promoters. The outlook may be revised to 'Positive' in case of significant improvement in operations and working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Management of working capital cycle

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

PSSI was incorporated in 1947 as a partnership firm by Mr. Paramjit Singh, Mr. Preet Pal Singh, Mr. Harpal Singh and Mr. Prabhit Singh. The company is engaged in the manufacture and export of stainless steel products such as cookware, flatware, kitchen tools among others.

For FY2015-16 (provisional), the company reported profit after tax (PAT) of Rs.5.14 crore on operating income of Rs.82.84 crore, as compared with profit after tax (PAT) of Rs.3.84 crore on operating income of Rs.82.57 crore in FY2014-15. The net worth stood at Rs.21.69 crore (included quasi equity of Rs.1.40 crore) as on March 31, 2016 (provisional) against Rs.19.39 crore (included quasi equity of Rs.1.77 crore) a year earlier.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
23 July , 2015	Term Loan	25.92	SMERA BB (Assigned)	-	Stable
	Packing credit	14.00	-	SMERA A4+ (Assigned)	-
	Post Shipment	26.00	-	SMERA A4+ (Assigned)	-
	Foreign Letter of Credit	5.00	-	SMERA A4+ (Assigned)	-

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ABOUT SMERA

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