

July 08, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	12.50	SMERA BB/Stable (Upgraded from SMERA B+/Stable)
Bill Discounting	0.75*	SMERA A4+ (Upgraded from SMERA A4)
Inland/Foreign Letter of Credit	0.50#	SMERA A4+ (Upgraded from SMERA A4)
Bank Guarantee	0.50#	SMERA A4+ (Upgraded from SMERA A4)

*Fully interchangeable with Bills Negotiation (under Letter of Credit)

#Fully interchangeable between Letter of Credit and Bank Guarantee

SMERA has upgraded ratings of Punjab General Industries Private Limited (PGIPL) to '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) from '**SMERA B+**' (read as **SMERA B plus**) and '**SMERA A4**' (read as **SMERA A four**). The outlook is '**Stable**'. The upgrade is in view of healthy revenue growth and improvement in margins registered by the company. The ratings continue to draw comfort from the company's healthy financial risk profile and experienced management. However, the ratings are constrained by the susceptibility of the company's profit margins to raw material price volatility and fluctuations in power costs. The ratings factor in risks related to the working capital-intensive operations in a highly competitive segment of the iron and steel industry.

Update

PGIPL reported net profit of Rs.0.19 crore on operating income of Rs.101.78 crore in FY2013-14, as compared with net profit of Rs.0.48 crore on operating income of Rs.71.81 crore in the previous year. Further, the company registered net profit of Rs.0.42 crore (provisional) on operating income of Rs.115.43 crore (provisional) for FY2014-15. PGIPL's net worth stood at Rs.22.54 crore as on March 31, 2014, as compared with Rs.12.53 crore a year earlier.

PGIPL's healthy financial risk profile is reflected in the gearing (debt-equity ratio) of 0.92 times (provisional) as on March 31, 2015. The company's total debt of Rs.20.95 crore (provisional figure as on March 31, 2015) includes interest-bearing unsecured loans of Rs.4.16 crore. PGIPL's interest coverage ratio is healthy at 2.13 times (provisional) for the FY2014-15.

PGIPL's profit margins are highly susceptible to fluctuations in prices of metal scrap as well as power costs. To counter the problems of power cuts and increase in power cost, the company installed a 66 kV substation and increased power load from 5,000 kVA to 6,500 kVA in December 2013. Thereafter, PGIPL's power costs as a portion of total operating income reduced from 21.75 per cent in FY2012-13 to 19.94 per cent in FY2013-14. In FY2014-15 (provisional), the power cost reduced to 17.88 per cent. PGIPL's operating profit margin improved from 0.73 per cent in FY2012-13 to 3.20 per cent in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

FY2013–14. The company has registered operating profit margin of 3.48 per cent (provisional) for FY2014–15.

PGIPL faces intense competition from several players in the iron and steel industry. The company's operations are working capital-intensive on account of low credit received from suppliers. PGIPL's average utilisation of working capital limit was high at 90.52 per cent during November 2014 to April 2015.

PGIPL benefits from its experienced management. The directors have around three decades of experience in the iron and steel industry.

Outlook: Stable

SMERA believes that PGIPL will continue to benefit over the medium term from its established presence in the iron and steel industry and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial improvement in its scale of operations while achieving comfortable operating profit margin. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve scalability amidst intensifying competition in its area of operations, or in case of deterioration in the company's profitability on account of rising costs.

About the Company

PGIPL was established as a partnership firm in 1971 and converted into a private limited company in 1999. The company is headed by a team of directors' viz. Mr. Anoop Kumar Jindal, Mr. Sunil Kumar Jindal, Mr. Ankit Jindal and Mr. Sahil Jindal. PGIPL is engaged in the manufacture of ingots, billets, rolled products and un-machined castings and has an integrated manufacturing facility in Haryana.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 9820802479 Email: antony.jose@smera.in	Vinay Chhawchharia Associate Vice President – Operations Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.