

January 10, 2014

Facility	Amount (Rs. Crore)	Rating
Overdraft	7.00	SMERA B-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B-**' (**read as SMERA B minus**) to the above-mentioned bank facility of Prime Strips Private Limited (PSPL). The outlook is stable. The rating is constrained by the company's small scale of operations in a highly fragmented and competitive stainless steel utensils industry. The rating is further constrained by the company's low net profit margins and weak financial risk profile. However, the rating derives support from the company's experienced management and healthy growth in revenues over the past five years.

PSPL is a Delhi-based company engaged in manufacturing of stainless steel utensils. PSPL has a small scale of operations with total operating income of Rs.31.25 crore and PAT of Rs.0.04 crore for FY2012-13 (refers to financial year, April 01 to March 31). The company faces intense competition from several players in the unorganized sector of the utensils industry. PSPL's profit margins are susceptible to volatility in raw material (steel) prices. The company's net profit margin is low at 0.12 per cent in FY2012-13. Moreover, PSPL's net profit (in FY2012-13) is largely supported by non-operating income derived from interest earnings.

PSPL has weak debt protection metrics with high leverage at 6.40 times as on March 31, 2013 and low interest coverage ratio of 1.05 times for FY2012-13. The company has been sanctioned an overdraft facility of Rs.7.00 crore in October 2013. PSPL's net worth is low at Rs.1.02 crore as on March 31, 2013. Moreover, the company has given loans and advances of Rs.2.59 crore (as on March 31, 2013) to family and friends. PSPL's external borrowings (Rs.6.55 crore as on March 31, 2013) include unsecured loans of Rs.6.06 crore from family and friends.

PSPL benefits from its experienced management. Mr. Sanjay Kumar Goel, Promoter and Director of PSPL, has around fifteen years of experience in the stainless steel utensils industry. PSPL's revenues increased at a healthy compound annual growth rate (CAGR) of 35 per cent during FY2008-09 to FY2012-13.

Outlook: Stable

SMERA believes that PSPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and profit margins while achieving a comfortable capital structure.

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Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's profit margins and capital structure.

About the company

PSPL is a Delhi-based company promoted by Mr. Sanjay Kumar Goel and Mrs. Meenakhi Goel in October, 2012 to take over the running business of Prime Enterprises — a proprietorship concern (promoted by Mr. Sanjay Kumar Goel) engaged in manufacturing of stainless steel utensils since 1998. The acquisition was completed in FY2013-14.

PSPL has a manufacturing unit in Wazirpur Industrial Area, Delhi, with a total plot area of 3,600 sq. ft. and built-up area of 10,800 sq. ft.

For FY2012-13, PSPL reported PAT of Rs.0.04 crore on total operating income of Rs.31.25 crore, as compared with PAT of Rs.0.04 crore on total operating income of Rs.18.83 crore for FY2011-12. PSPL's net worth stood at Rs.1.02 crore as on March 31, 2013, as compared with Rs.0.98 crore a year earlier.

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