

Press Release

Purulia Metal Casting Private Limited (PMCPL)

December 14, 2018

Rating Reaffirmed



| | |
|------------------------------|----------------------------------|
| Total Bank Facilities Rated* | Rs. 47.00 Cr. |
| Long Term Rating | ACUITE BB/Stable (Reaffirmed) |

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs.47.00 crore bank facilities of Purulia Metal Casting Private Limited (PMCPL). The outlook is '**Stable**'.

PMCPL, incorporated in 2004, is a Kolkata-based company promoted by Mr. Bhabani Prasad Mukherjee and Dr. Anirban Mukherjee. The company is engaged in the manufacturing of MS Billets and TMT Bars and has an installed capacity of 127940 MTPA and 120000 MTPA, respectively. The company has set up a pig iron manufacturing capacity with an installed capacity of 39000 MTPA in September 2018. The manufacturing facility is located at Purulia (West Bengal).

Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of PMCPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

The promoter, Mr. Bhabani Prasad Mukherjee has more than a decade of experience in the iron and steel industry. This experience has resulted in establishing healthy relationship with their key customers and suppliers.

Above average financial risk profile

PMCPL's above average financial risk profile is marked by modest net worth of Rs.56.68 crore in FY2018, an increase from Rs.48.62 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood comfortable at 1.02 times in FY2018, an increase from 0.95 times in FY2017, this slight deterioration in gearing mainly due to increase in long term debt for the ongoing capex. The total debt of Rs.57.55 crore consist of long term debt of Rs.17.54 crore, short term debt of Rs.36.13 crore and unsecured loan from promoters of Rs.3.88 crore. The interest coverage ratio (ICR) of the company stood healthy at 2.69 times in FY2018 as compared to 2.01 times in the previous year. Debt Service Coverage Ratio (DSCR) of the company stood moderate at 1.92 times in FY2018 as compared to 1.31 times in previous year. Net cash accrual to total debt (NCA/TD) stood comfortable at 0.19 times in FY2018 as compared to 0.10 times in the previous year. Going forward, Acuite believes that the sustainability of the financial risk profile at current comfortable levels would be a key credit monitorable.

Weaknesses

Moderate profitability

The operating margins of the company increased marginally at 3.93 percent in FY 2018 as compared to 3.85 percent in FY2017. Net profitability stood moderate at 1.66 percent in FY2018 as against of 0.17 percent in FY2017, this significant change in net profitability margin is due to profit on sale of assets in FY2018.

Working capital intensive nature of operation

PMCPL's operations are working capital intensive by nature which is marked by Gross Current Assets (GCA) of 163 days in FY2018 as compared to 182 days in FY2017. This necessitates working capital requirement as major funds get blocked in inventory and debtors. Inventory and debtors days stood at 64 and 97 days respectively in FY2018 as compared to 97 and 94 days in FY2017.

Ongoing capex plan

The company is undergoing a project to install sinter plant with an installed capacity of 250 TPD. The total cost of the project is Rs.10.37 crore. The company has funded the entire capex through the term loan of Rs. 4.15 crore and rest of the amount funded by the promoters and internal accruals. Company has already incurred Rs.6.51 crore and expected to commission the project by March 2019. The company has recently set up a pig iron plant with the installed capacity of 39000 MTPA in September 2018 and the commercial production has already been started from October 2018. The total cost of the project was Rs.14.62 crore, the same has been funded through term loan of Rs.5.85 crore and rest of the amount funded by the promoters and internal accruals. Acuite believes that the successful implementation of the projects resulting in improved profitability would be a key rating sensitivity factor.

Outlook: Stable

Acuite believes that PMCPL will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience and established relations with customers. The outlook may be revised to 'Positive' if the profitability margins of the company improve along with sustainability of its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the financial risk profile of the company deteriorates or the working capital cycle elongates further.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 394.98 | 307.23 | 165.58 |
| EBITDA | Rs. Cr. | 15.54 | 11.84 | 0.13 |
| PAT | Rs. Cr. | 6.57 | 0.51 | 1.17 |
| EBITDA Margin | (%) | 3.93 | 3.85 | 0.08 |
| PAT Margin | (%) | 1.66 | 0.17 | 0.71 |
| ROCE | (%) | 12.97 | 8.25 | 7.30 |
| Total Debt/Tangible Net Worth | Times | 1.02 | 0.95 | 0.97 |
| PBDIT/Interest | Times | 2.69 | 2.01 | 1.88 |
| Total Debt/PBDIT | Times | 3.11 | 3.83 | 4.53 |
| Gross Current Assets (Days) | Days | 163 | 182 | 289 |

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|-------------|---------------------------------|-----------|--------------------|--------------------------------|
| 16-Oct-2017 | Term Loan | Long Term | 12.00 | ACUITE BB/Stable (Reaffirmed) |
| | Cash Credit | Long Term | 35.00 | ACUITE BB/Stable (Reaffirmed) |
| 29-Dec-2016 | Cash Credit | Long Term | 35.00 | ACUITE BB/Stable (Downgrade) |
| | Term Loan | Long Term | 2.00 | ACUITE BB/Stable (Downgrade) |
| | Proposed Long Term | Long Term | 7.00 | ACUITE BB/Stable (Downgrade) |
| | Proposed Long Term | Long Term | 3.00 | ACUITE BB/Stable (Downgrade) |
| 19-Aug-2015 | Cash Credit | Long Term | 35.00 | ACUITE BB+/Stable (Reaffirmed) |
| | Term Loan | Long Term | 2.00 | ACUITE BB+/Stable (Reaffirmed) |
| | Proposed Long Term | Long Term | 7.00 | ACUITE BB+/Stable (Reaffirmed) |
| | Proposed Long Term | Long Term | 3.00 | ACUITE BB+/Stable (Reaffirmed) |

***Annexure – Details of instruments rated**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|-------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 35.00 | ACUITE BB/Stable (Reaffirmed) |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 12.00 | ACUITE BB/Stable (Reaffirmed) |

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About Acuité Ratings & Research:

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