

Press Release

Prakash Ferrous Industries Private Limited

January 17, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 110.00 Cr.
Long Term Rating	ACUITE BBB (Withdrawn)
Short Term Rating	ACUITE A3+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has withdrawn its long-term rating at '**ACUITE BBB**' (**read as ACUITE triple B**) and short term rating at '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs. 110.00 crore bank facilities of PRAKASH FERROUS INDUSTRIES PRIVATE LIMITED.

The rating withdrawal is in accordance with the Acuité's policy on withdrawal of rating and on account of request from the company and NOC received from the bankers.

Andhra Pradesh based, Prakash Ferrous Industries Private Limited (PFIPL) was incorporated in 2007. It is engaged in manufacturing Thermo Mechanical Treatment (TMT) bars. PFIPL has over 700 dealers spread across Andhra Pradesh, Tamil Nadu Kerala and Karnataka. Further, the company also caters to institutional buyers in real estate. The company's manufacturing facility is located at Srikalahasti, Andhra Pradesh with an installed capacity of 3 lakh metric tonne (MT) per annum. These products are sold under 'Tirumala' brand.

Analytical Approach

Acuité has considered standalone financials and business risk profiles of PFIPL to arrive at this rating.

Key Rating Drivers

Strengths

• **Experienced management and long track record of operations**

PFIPL is promoted jointly by the Agra-based Prakash India group (managed by Garg family) and Chennai-based Meenakshi group (managed by Agarwal family) who possess over a decade experience in the steel industry. The day-to-day operations of the company are jointly managed by both these groups. The rich experience of the promoters in the industry has helped the company in increasing the dealer network in south India region from 300 to 700, and addition of more institutional buyers in construction and real estate sector. The same has reflected in healthy revenue growth over the last three years through FY2019. The revenues of the company grew at a compound annual growth rate of 22.5 percent to Rs.561.39 crore in FY2019 from Rs.335.32 crore in FY2017. Further, revenue growth is also backed by the capital expenditure of Rs.18 crore during the last three years through FY2019 for capacity expansion. Acuité believes that, experience of the management in the industry, increase in dealer network across south India is expected to support in improving its business risk profile over the medium term.

• **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by healthy net worth, gearing and moderate debt protection metrics. The net worth of the company stood healthy at Rs.89.71 crore as on 31 March, 2019 as against Rs.82.63 crore as on 31 March, 2018. Gearing (debt to equity ratio) and TOL/TNW (Total outside liabilities to total net worth) stood moderate at 1.26 times and 2.05 times respectively in FY2019. Of the total debt outstanding of Rs.113.20 crore as on 31 March, 2019, long term debt constitutes to Rs.33.35 crore, unsecured loans of Rs.28.84 crore and short term debt of Rs.51.00 crore. The revenues of the company increased by around 29 per cent to Rs.561.39 crore during 2018-19, while its operating margins were in

the range of 6-8 per cent. The moderate profitability levels coupled with moderate debt levels has led to moderate debt protection measures. Interest coverage ratio and Net cash accruals to total debt stood moderate at 2.81 times and 0.10 times respectively in FY2019. Debt service coverage ratio stood moderate at 1.24 times in FY2019.

• Moderate working capital management

PFIPL's working capital cycle is moderate as is reflected by its gross current asset (GCA) days of around 70-90 days for the last three years through FY2019. The company maintains inventory of around two months for regular supply of materials to its customers. PFIPL extends a credit period of around 30-45 days to its customers, which reflected in debtor cycle of 24-37 days for the last three years through FY2019. On the other hand, the company gets 30-45 days credit from its suppliers. Acuite expects the working capital management to remain moderate over the medium term.

Weaknesses

• Highly competitive industry and geographic concentration risk

PFIPL operates in a highly competitive steel products industry with much pressure on capacity utilisation and pricing power. The steel industry is cyclical in nature and so are end user industries like real estate and construction. Besides, PFIPL faces competition from other reputed brands in Andhra Pradesh, Tamil Nadu and Karnataka. The company is also exposed to geographical concentration risk as the company generates about 70 percent of revenues from the Andhra Pradesh state, and any sluggish environment in the industrial or real estate activity may impact the business risk profile of the company

Liquidity position: Adequate

PFIPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs.14.9 to 11.2 crore during the last three years through 2019, while its maturing debt obligations were in the range of Rs.14.0-8.37 crore over the same period. The company's operations are moderate with gross current asset (GCA) days of 91 in FY2019. The company maintains unencumbered cash and bank balances of Rs.2.03 crore as on March 31, 2019. The current ratio of the company stood moderate at 1.22 times as on March 31, 2019.

Rating Sensitivities

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	561.39	433.24
PAT	Rs. Cr.	3.44	6.38
PAT Margin	(%)	0.61	1.47
Total Debt/Tangible Net Worth	Times	1.26	1.06
PBDIT/Interest	Times	2.81	2.55

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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. Cr.)	Ratings/Outlook
26-Oct-2018	Cash Credit	Long Term	28.00	ACUITE BBB / Stable (Upgraded)
	Cash Credit	Long Term	18.00	ACUITE BBB / Stable (Upgraded)
	Term Loan	Long Term	7.29	ACUITE BBB / Stable (Upgraded)
	Term Loan	Long Term	4.79	ACUITE BBB / Stable (Upgraded)
	Term Loan	Long Term	7.28	ACUITE BBB / Stable (Upgraded)
	Term Loan	Long Term	7.27	ACUITE BBB / Stable (Upgraded)
	Term Loan	Long Term	7.29	ACUITE BBB / Stable (Upgraded)
	Term Loan	Long Term	7.27	ACUITE BBB / Stable (Upgraded)
	Letter of Credit	Short Term	5.40	ACUITE A3+ (Upgraded)
	Letter of Credit	Short Term	3.60	ACUITE A3+ (Upgraded)
	Proposed Cash Credit	Long Term	5.00	ACUITE BBB / Stable (Upgraded)
	Proposed Letter of Credit	Short Term	0.93	ACUITE A3+ (Upgraded)
04-Oct-2017	Proposed Bank Facility	Long Term	7.88	ACUITE BBB / Stable (Assigned)
	Cash Credit	Long Term	28.00	ACUITE BBB- / Stable (Assigned)
	Cash Credit	Long Term	18.00	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	4.73	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	7.29	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	3.15	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	4.79	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	7.28	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	7.27	ACUITE BBB- / Stable (Assigned)
	Term Loan	Short Term	7.29	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	7.27	ACUITE BBB- / Stable (Assigned)
	Letter of Credit	Short Term	5.40	ACUITE A3 (Assigned)
	Letter of Credit	Long Term	3.60	ACUITE A3 (Assigned)
	Proposed Cash Credit	Short Term	5.00	ACUITE BBB- / Stable (Assigned)
	Proposed Letter of Credit	Long Term	0.93	ACUITE A3

				(Assigned)
--	--	--	--	------------

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE BBB (Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE BBB (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.29	ACUITE BBB (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.79	ACUITE BBB (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.28	ACUITE BBB (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.27	ACUITE BBB (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.29	ACUITE BBB (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.27	ACUITE BBB (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	5.40	ACUITE A3+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.60	ACUITE A3+ (Withdrawn)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB (Withdrawn)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.93	ACUITE A3+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.88	ACUITE BBB (Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Naveen Papisetty Analyst - Rating Operations Tel: 040-40055480 naveen.papisetty@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.