

Press Release

P D Industries Private Limited (PDIPL)

August 03, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 28.00 Cr.
Long Term Rating	ACUITE BBB-/Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 28.00 crore bank facilities of P D Industries Limited. The outlook is '**Stable**'.

P D Industries Private Limited (PDIPL) was incorporated in 1992 by Agarwal family and taken over by the promoters of LN group in 2015. The company is engaged in manufacturing of sponge iron with installed capacity of 60000 MTPA. The manufacturing facility located at Raipur, Chhattisgarh.

L N Metallics Limited (LNML) was incorporated in 2003 by Mr. Ramesh Agrawal & Mr. Girdharilal Agrawal. The company is engaged in manufacturing of sponge iron with installed capacity of 42000 MTPA. The manufacturing facility located at Jharsugda, Orissa.

Acuité has consolidated the business and financial risk profiles of L N Metallics Limited with P D Industries Private Limited herein referred to as L N Group. The consolidation is in view of common management, similar line of business and significant financial linkages.

Key Rating Drivers

Strengths

Experienced management and long track record of operation:

LN group has an established market presence since 2003 and the director of the group Mr. Girdharilal Agrawal, Mr. Nitesh Kumar Agrawal and Mr. Abhishek Agrawal has about 15 years of experience in iron and steel industry. This has helped the group to create healthy relation with its suppliers and customers over the years.

Healthy financial risk profile:

The financial risk profile of the group is marked by healthy net worth, comfortable gearing and moderate debt protection measures. LN group has a healthy net worth of Rs 44.98 crs as on 31st March'2018 (Prov.) as compared to Rs.35.97 crore in FY2017. The gearing of the company stood comfortable at 0.27 times in FY2018 (Prov.) as compared to 0.67 times in the previous year. The total debt of Rs 12.01 crs consists mainly of short term loan from the bank of Rs.9.49 crore and rest term loan of Rs.0.21 crore and unsecured loan from promoters of Rs.2.31 crore. The debt protection measures of the company stood moderate with interest coverage of 2.62 times in FY'18 (Prov.) as compared to 1.70 times in FY'17. Debt service coverage ratio (DSCR) stood comfortable at 1.81 times in FY2018 (Prov.) as compared to 1.23 times in previous year. The NCA/TD levels of the company stood at 0.30 times in FY'18 (Prov.) and 0.10 times in FY'2017 respectively.

Coal linkages with SECL & MCL:

One of the primary raw materials in the manufacture of sponge iron is coal. The group has linkage with South Eastern Coalfields limited (SECL) and Mahanadi Coalfield Limited (MCL) for supply of 80-90 per cent of total annual coal requirement. The linkages ensure steady and regular availability of coal.

Weaknesses

Working capital intensive nature of operation:

The group's working capital intensive nature of operation is marked by high gross current asset (GCA) days of 103 days in FY2018 (Prov.) as compared to 146 days in previous year. Though their inventory and debtor days stood at moderate levels of 53 and 12 days respectively in FY2018 (Prov.) as compared to 65 and 37 days in the previous year, the high GCA days are mainly on account of high other current asset of Rs.15.14 crore in FY 2018 (Prov.), mainly consisting of loans and advances given to the suppliers and promoters.

Intense competition:

The iron and steel industry is a highly fragmented industry and there is large number of organized and unorganized players which has led to high competition in the industry. The group faces competition from few large players as well as numerous players in the unorganized segment. Also on account of its manufacturing nature of business, the entry barriers are low, leading to stiff competition for the company.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of L N Metallics Limited with P D Industries Private Limited herein referred to as L N Group. The consolidation is in view of common management, similar line of business and significant financial linkages.

Outlook: Stable

Acuité believes that LN group will continue to benefit over the medium term from the promoters vast experience and from its established relationship with its key suppliers. The outlook may be revised to 'Positive' if LN achieves more than envisaged sales and profitability while maintaining its financial risk profiles. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	142.87	113.36	117.75
EBITDA	Rs. Cr.	6.43	6.42	6.87
PAT	Rs. Cr.	1.92	0.91	0.93
EBITDA Margin	(%)	4.50	5.66	5.83
PAT Margin	(%)	1.34	0.80	0.79
ROCE	(%)	8.67	7.87	8.96
Total Debt/Tangible Net Worth	Times	0.27	0.67	0.72
PBDIT/Interest	Times	2.62	1.70	1.87
Total Debt/PBDIT	Times	1.76	3.69	3.71
Gross Current Assets (Days)	Days	103	146	138

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

As on 16th July, 2018 CRISIL has migrated the rating to 'CRISIL B/Stable/CRISIL A4' Issuer not cooperating.

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*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	13.00	ACUITE BBB-/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A3 (Assigned)

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