



## Press Release

P D Industries Private Limited

May 24, 2023

## Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	38.25	ACUITE BBB   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	38.25	-	-

## Rating Rationale

Acuite has upgraded the long term rating to **'ACUITE BBB' (read as ACUITE triple B)** from **'ACUITE BB+' (read as ACUITE double B plus)** on the Rs.38.25 crore bank facilities of P D Industries Private Limited. The outlook is **'Stable'**.

### Rationale for the rating

The rating continues to reflect the extensive experience of the management in the iron and steel industry, along with continuous improvement in scale of operation. The rating also reflects the adequate liquidity position and comfortable financial risk profile of the group. However, these strengths are partially offset by the dip in the profitability margin and susceptibility to volatility in raw material prices.

Acuite, vide its rationale dated December 22, 2022 downgraded the rating on account of information risk. Now, Acuite has received all the information, it is reinstating the rating of P D Industries Private Limited.

### About Company

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 and MS billet with an installed capacity of 60,000 MTPA and 50,400 MTPA respectively. In addition to that, the company also has its own 5 MW power plant installed. The manufacturing facility located in Raipur, Chhattisgarh.

### About the Group

L N Metalics Limited (LNML) was incorporated in 2003 by Mr. Ramesh Agarwal & Mr. Girdharilal Agarwal. The company is engaged in manufacturing of sponge iron with an installed capacity of 60,000 MTPA. The company has its manufacturing facility located in Jharsugda, Orissa.

## **Analytical Approach**

### **Extent of Consolidation**

- Full Consolidation

### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has consolidated the financial and business risk profile of L N Metallica Limited (LNML)

and P D Industries Private Limited (PDIPL). The group is herein referred to as the LN Group on account of common management, similar line of operations, and significant operational and financial linkages.

## **Key Rating Drivers**

### **Strengths**

#### **Experienced management and a long track record of operation**

The group and the promoters, Mr. Girdharilal Agarwal, Mr. Nitish Kumar Agarwal and Mr. Abhishek Agarwal, have a long execution track record of more than 15 years in iron and steel industry. The group, through their long presence in this sector, has established a healthy relationship with customers that has lasted for more than a decade. Acuité believes that the group will continue to benefit from its promoter's extensive industry experience and established relationship with customers over the medium term.

#### **Healthy scale of operation**

The revenue of the group stood at Rs.329.66 crore in FY2022 as compared to Rs.206.76 crore in the previous year. This improvement in revenue for the group is mainly on account of increase in average realization despite of decrease in volume sales during the period. Currently the group achieved a revenue of Rs.362.31 crore till 31st March 2023 (Provisional). Acuité believes that the revenue of the group will increase going forward on account of the increase in steady demand in the iron and steel industry in the domestic market.

#### **Above average financial risk profile**

The financial risk profile of the group is marked by moderate net worth, comfortable gearing, and healthy debt protection metrics. The net worth of the group stood moderate at Rs.67.81 crore in FY 2022 as compared to Rs 57.01 crore in FY2021. This improvement in networth is mainly due to the retention of profit for FY2022. The gearing of the group stood at 0.47 times as on March 31, 2022 when compared to 0.72 times as on March 31, 2021. Interest coverage ratio (ICR) is strong and healthy at 4.92 times in FY2022 as against 3.90 times in FY2021. The debt service coverage ratio (DSCR) of the group stood comfortably at 1.13 times in FY2022 as compared to 1.83 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortably at 0.43 times in FY2022 and 0.23 times in FY2021 respectively. Going forward, Acuité believes the financial risk profile of the group will remain above average on account of steady net cash accruals over the near term and absence of any debt funded capex plan.

### **Weaknesses**

#### **Declining profitability margin**

The operating profitability margin of the group has declined and stood comfortably at 6.11 per cent in FY2022 as compared to 8.05 per cent in the previous year. This deterioration in profitability margin is on account of increase in raw material price backed by the global increase in iron steel products during the period. The net profitability margin of the company stood healthy at 2.25 per cent in FY2022 as compared to 2.23 per cent in the previous year.

Acuité believes that going forward the profitability of the group will improve on account of steady demand coupled with steady realization.

#### **Susceptibility to volatility in raw material prices and cyclicity inherent in the steel industry**

Raw material consumption is the single largest cost component for the secondary players in iron and steel industry. The group does not have backward integration for its raw materials which are purchased from traders located in UP, Jharkhand, Orissa, Bengal and Madhya Pradesh. Further, the steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply

conditions in the market. Apart from the demand side fluctuations, the highly capital intensive nature of steel projects along-with the inordinate delays in the completion lead to a demand and supply mismatch.

### **Rating Sensitivities**

- Scaling up of operation while improving their profitability margin
- Sustenance of existing conservative capital structure

### **Material Covenants**

None

### **Liquidity Position**

#### **Adequate**

The group has adequate liquidity position marked by comfortable net cash accruals of Rs.13.76 crore as against Rs.11.72 term debt obligations in FY2022. The cash accruals of the group are estimated to remain in the range of around Rs. 16.23 crore to Rs. 18.74 crore during 2023-24 as against Rs.2.80 crore long term debt obligations during FY2023. The current ratio of the group stood strong at 2.52 times in FY2022. The bank limit of the group has been ~16 percent utilized during the last six months ending in March 2023. The Gross Current Asset (GCA) days of the group stood moderate at 97 days in FY2022. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals against the long debt repayments over the medium term.

### **Outlook:**

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

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	327.06	205.12
PAT	Rs. Cr.	10.81	6.76
PAT Margin	(%)	3.30	3.29
Total Debt/Tangible Net Worth	Times	0.47	0.72
PBDIT/Interest	Times	4.92	3.90

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

None

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

### Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Dec 2022	Working Capital Demand Loan	Long Term	3.25	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	20.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	15.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
28 Sep 2021	Term Loan	Long Term	15.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Working Capital Demand Loan	Long Term	3.25	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	20.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
08 Jan 2021	Cash Credit	Long Term	20.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	3.25	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	15.00	ACUITE BBB-   Stable (Reaffirmed)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Complexity Level</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BBB   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	13.25	ACUITE BBB   Stable   Upgraded

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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