

Press Release

P P Steel Corporation

August 14, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) to the Rs.15.00 crore bank facilities of P P Steel Corporation. The outlook is '**Stable**'.

PPSC set up in 1991 as a partnership firm and promoted by Mr. Naveen Pasricha trades in iron and steel products such as wire rods and bars largely used in auto industry in 2w, 4w and trucks. The customers of the firm comprises of players in fasteners and bright bar manufacturing segment. Some of the key suppliers are Jindal Steel, Rashtriya Ispat, and Electro steel amongst other manufacturers in the steel segment.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the PPSC to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

The firm started its operations in 1991 and is promoted by Mr. Naveen Pasricha with over two decades of experience in the iron and steel trading industry. The firm enjoys strong customer base with long standing relationship with the customers.

- **Comfortable working capital cycle**

The firm has working capital cycle of 55 days largely on account of debtor days of 49 days and low inventory of 8 days. The firm mostly deals with large suppliers with payment on advance basis. The overall WC cycle is comfortable.

Weaknesses

- **Average financial risk profile**

PPSC's financial risk profile is average marked by net worth of Rs.12.76 crore as on 31 March, 2017 as against Rs.9.29 crore as on 31 March, 2016. The gearing (debt-to-equity ratio) stood at 1.85 times as on 31 March, 2017 as against 2.53 times as on 31 March, 2016. The total debt of Rs.23.57 crore as on 31 March, 2017 comprises of working capital borrowings. Interest Coverage Ratio (ICR) stood at 2.87 times for FY2017 as against 2.16 times for FY2016. Going forward, Acuité expects the firm to maintain its financial risk profile.

- **Competitive and fragmented nature of industry**

The firm competes with some of the major players in the trading industry thus limiting the pricing power. Also, the firm competes with unorganised segment which forms a major part of this market. Also, being in the trading business the margins are low in the range 1.5-2.0 percent over the years.

Outlook: Stable

Acuité believes that the outlook of the PPSC will remain 'Stable' over the medium term on account of experienced management and comfortable working capital cycle. The outlook may be revised to 'Positive' if there is improvement in the financial risk while maintaining its working capital cycle. On the contrary, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	207.78	220.48	233.25
EBITDA	Rs. Cr.	6.43	4.68	5.28
PAT	Rs. Cr.	4.20	2.52	2.82
EBITDA Margin	(%)	3.10	2.12	2.26
PAT Margin	(%)	2.02	1.14	1.21
ROCE	(%)	19.00	17.28	44.98
Total Debt/Tangible Net Worth	Times	1.85	2.53	1.61
PBDIT/Interest	Times	2.87	2.16	2.21
Total Debt/PBDIT	Times	3.47	4.64	2.65
Gross Current Assets (Days)	Days	62	59	42

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB/Stable (Assigned)

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About Acuité Ratings & Research:

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