

Press Release

Prabhat Steel Traders Private Limited

December 03, 2021



Rating Reaffirmed & Withdrawn

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	115.00	0.00		ACUITE A3+ Reaffirmed & Withdrawn
Bank Loan Ratings	10.00	0.00	ACUITE BBB- Reaffirmed & Withdrawn	
Total	-	0.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs 10.00 Cr. bank facilities and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.115.00 Cr. bank facilities of Prabhat Steel Traders Private Limited (PSTPL).

The rating is being withdrawn on account of the request received from the company and the NDC received from the banker as per Acuite's policy on withdrawal of ratings.

About the Company

Established in 1968 as a partnership firm by Mr. Satishchandra Jain and family, Mumbai-based Prabhat Steel Traders Private Limited (PSTPL) is engaged in the trading of a variety of structural and flat steel products. Later in 2007, the partnership firm was reconstituted into a private limited company. The company sources hot rolled, cold-rolled steel coils and plates and other products from domestic as well as foreign markets and caters to the demand generated in the domestic market.

Analytical Approach

Acuite has considered the standalone view of the business and financial risk profile of PST to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

Founded by Mr. Satishchandra Jain in 1968, PSTPL has been engaged in the trading business of steel products for over five decades. Since its inception, the business has been managed by the family, and with its reconstitution into a private limited company in 2007; it has been led by Mr. Girish Satishchandra Jain. The promoters of the company have established strong relations with reputed foreign suppliers like Hyundai Corporation (South Korea), Nippon Steel & Sumikin Bussan Corporation (Japan) amongst others. The established presence of the company and extensive experience of the management in the line of business has enabled them to establish strong relationships with its customers and suppliers.

Moderate financial risk profile

PSTPL's financial risk profile is supported by moderate net worth and moderate debt protection metrics. PSTPL's net worth as on March 31, 2021, stood at Rs.27.49 crore as compared to Rs.26.14 crore as on March 31, 2020. Total debt of Rs.5.56 crore as on March 31, 2021, includes most interest-free unsecured loans from directors. The Total Outside Liabilities/tangible Networth (TOL/TNW) ratio has improved in FY2021 to 0.26 times from 1.54 times for FY2020. The Total outside liabilities majorly comprises creditors (backed by LCs) and unsecured loans from promoters with no stipulated maturity. Interest coverage ratio (ICR) stood at 5.13 times for FY2021 as against (1.09) times for FY2020. This is primarily on account of improvement in operating margins.

Weaknesses

Susceptibility of operations to fluctuations in steel prices

The company is primarily engaged in the import of flat and structural steel products and selling them to traders in India. The operations of players like PSTPL are susceptible to demand scenarios of steel products along with fluctuation in steel prices in the global and domestic markets. Intervention by the government in the form of minimum import price/ countervailing duties has impacted the margins of the steel importing companies. A sudden spike in steel prices or sluggish demand generally has a significant impact on the operations of players like PSTPL.

PSTPL has seen an improvement in its operating margins at 0.95 percent in FY2021 as compared to (1.49) percent in FY2020, although its operating income has deteriorated to Rs.88.69 crore for FY2021 as against Rs.142.79 crore for FY2020. The ongoing demand-side pressures in the steel industry have resulted in a decline in operating income.

Competitive and cyclic nature of the industry

The steel trading industry remains highly fragmented with a large number of organized and unorganized players, which has led to high competition in the industry. In addition, the cyclical nature of the steel industry is dependent on macro-economic growth factors, having a greater impact on the sustainability of trading companies like PSTPL. Acuité believes that PSTPL will be highly dependent on the demand and growth in the steel industry to sustain its growth in building its revenue.

Liquidity Position: Adequate

The liquidity profile is adequate marked by its net cash accruals to debt repayment obligations. The company generates net cash accruals of Rs.1.44 crore as against debt maturity of ~Rs. 0.07 crore. The company avails letter of credit for procurement of raw materials and CC facility for working capital requirements. The cash and bank balance stood at Rs.6.82 Cr. as on March 31, 2021 while the current ratio stood at 18.87 times as on March 31, 2021.

Rating Sensitivities

Not Applicable

Material covenants

Not Applicable

Outlook

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	88.69	142.79
PAT	Rs. Cr.	1.34	(2.78)
PAT Margin	(%)	1.51	(1.95)
Total Debt/Tangible Net Worth	Times	0.20	0.54

PBDIT/Interest	Times	5.13	(1.09)
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Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Nov 2019	Cash Credit	Long Term	10.00	ACUITE BBB- Negative (Reaffirmed)
	Letter of Credit	Short Term	115.00	ACUITE A3+ (Reaffirmed)
06 Sep 2018	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	115.00	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	0.00	ACUITE BBB- Reaffirmed & Withdrawn
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	80.00	0.00	ACUITE A3+ Reaffirmed & Withdrawn
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	35.00	0.00	ACUITE A3+ Reaffirmed & Withdrawn

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Aditya Sahu Analyst-Rating Operations Tel: 022-49294065 aditya.sahu@acuite.in	

About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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