

Press Release

Prakash Metallic Private Limited

February 05, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 10.00 crore bank facilities of Prakash Metallic Private Limited. The outlook is '**Stable**'.

Incorporated in 2004, Prakash Metallic Private Limited is a Raipur (Chhattisgarh) based company engaged in trading of bulk commodities including coal, iron pellets and semi-finished steel products. The company is promoted by Mr Omprakash Singhania, Mr. Govind Lal Singhania, Mr Sat Narayan Singhania and Mr Raghav Singhania.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Extensive experience of the promoters**

The company benefits from the promoters' decade-long experience in the industry and established relations with customers and suppliers. Additionally the firm is located in Raipur (Chhattisgarh) - a major producer and industrial hub for iron and steel market.

- **Moderate working capital cycle**

The working capital operations of PMPL registered significant improvement reflected by the gross current asset of 47 days in FY2018 as against 176 days in the previous year. The GCA is primarily dominated by debtor's days of 35 as against 81 in the previous year. The procurement is order-backed resulting in low level of inventory. Going forward, the company ability to maintain working capital operations in similar line will remain a key monitorable.

Weaknesses

- **Susceptibility to cyclicalities associated with steel industry**

The company is susceptible to cyclicalities associated with steel industry, which impact demand for steel products. Furthermore, its end-user industry is an unorganised and fragmented sector, wherein debtor risk is moderately high. Also, there are several players in the ferroalloys segments, leading to intense competition.

- **Moderate financial risk profile:**

PMPL's financial risk profile is marked by low net worth, high gearing and moderate debt protection. The net worth stood at Rs 2.78 Crore as on 31st March, 2018 (provisional) as compared to Rs. 2.21 Crore as on 31st March, 2017. The gearing deteriorated to 2.67 times as on 31st March, 2018 from 2.40 times as on 31st March, 2017 on account of higher working capital requirements. The total debt stood at Rs 7.24 crore as on 31st March, 2018 (provisional) consisting of Rs 3.79 crore of short term borrowing, Rs 3.52 crore of unsecured loans and Rs 0.11 crore of long term borrowings. The debt protection metrics is moderate with an interest coverage ratio (ICR) of 2.14 as on 31st March, 2018 against 1.25 times as on 31st March, 2017. The total outstanding liabilities to net worth stood at 3.97

times as on 31st March, 2018 (provisional) as against 3.50 as on 31st March, 2017.

• Low profitability owing to trading nature of business

Operating margins of PMPL's is low owing to the trading nature of business and the same stood at 1.11 percent in FY2018 as against 2.85 percent in FY2017. The profitability declined due to intense competition faced and increase in price of coal and iron ore pellet in FY2018.

Liquidity Position

PMPL has a moderate liquidity position. The company's net cash accruals stood at Rs.0.47 crore in FY2018, while the maturing debt obligations were in the range of Rs.0.02-0.03 crore over the same period. The cash accruals of the company are estimated to register significant improvement owing to increase in sales. The company's operations are working capital efficient as marked by gross current asset (GCA) days of 47 in FY 2018. The same is reflected from the cash credit limit utilisation of ~43 percent during the last 6 months period ended December, 2018. The current ratio of the company stood moderate at 1.68 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of steady cash accrual and no major repayments over the medium term.

Outlook: Stable

ACUITE believes that PMPL will benefit from the extensive experience of its promoters. The outlook may be revised to 'Positive' in case of sustained sales and improved financial risk profile. The outlook may be revised to 'Negative' in case of lower-than-expected revenue and profitability or deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	100.34	18.37	1.64
EBITDA	Rs. Cr.	1.11	0.52	0.51
PAT	Rs. Cr.	0.40	0.06	0.36
EBITDA Margin	(%)	1.11	2.85	31.35
PAT Margin	(%)	0.40	0.35	21.72
ROCE	(%)	12.90	10.55	29.60
Total Debt/Tangible NetWorth	Times	2.87	2.40	1.83
PBDIT/Interest	Times	2.08	1.25	1.81
Total Debt/PBDIT	Times	6.23	6.81	4.17
Gross Current Assets (Days)	Days	47	176	1147

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE B+ / Stable
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B+ / Stable

Contacts

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About Acuité Ratings & Research:

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