

Press Release

Prabhat Global Colourcoated Private Limited

July 17, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 50.00 crore bank facilities of PRABHAT GLOBAL COLOURCOATED PRIVATE LIMITED (PGPL). The outlook is '**Stable**'.

Incorporated in 2017, PGPL is engaged in manufacturing of PPGI/PPGL sheets from galvanized coils. The day to day operations are managed by its Managing Director, Mr. Girish Jain along with other Directors, Mr. Karan Jain and Mr. Kamal Jain. Mr. Girish Jain. The commercial operations started in September 2018. The company has its manufacturing unit in Khopoli with an installed capacity of 120000 MT p.a.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the PGPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

PGPL is promoted by its Managing Director, Mr. Girish Jain along with other Directors, Mr. Kunal Jain and Mr. Karan Jain who collectively possess experience of more than three decades in steel industry. The extensive experience has enabled the company to forge healthy relationships with customers and suppliers.

Acuite believes that the company will continue to benefit from its experienced management and established relationships with customers and suppliers.

• Healthy scale of operations and profitability

PGPL has started commercial operations in September, 2018. The company reported healthy revenue of Rs.197.95 crore for the period September, 2018 to March, 2019 (Provisional). This is majorly due to its established position in the market, healthy relationship with supplier and customers which helped the company to mitigate the offtake risk. However, operating margins stood at 2.62 percent in FY2019 (Provisional).

Acuite believes that the scale of operations is expected to increase in near medium term majorly due to healthy order book, increase in the capacity utilisation and effort towards penetrating the export and OEM market.

Weaknesses

• Moderate financial risk profile

The financial risk profile is moderate marked by moderate net worth and debt protection measures and high gearing. The net worth of the company has increased to Rs.25.74 crore as on 31 March, 2019 (Provisional) from Rs.13.62 crore as on 31 March, 2018. This includes unsecured loans of Rs.16.00 crore which is considered as quasi equity as on 31 March, 2019 (Provisional). The gearing of the company stood at 1.33 times as on March 31, 2019 (Provisional) as against 0.56 times as on 31 March, 2018. Total debt of Rs.34.31 crore consists of term loans of Rs.12.95 crore and working capital facility of Rs.21.36 crore as on 31 March, 2019 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.55 times as on 31 March, 2019 (Provisional). Interest Coverage Ratio (ICR) stood at 2.77 times in FY2019 (Provisional).

Acuite believes that the financial risk profile of the company will improve over the near medium term on account of improvement in net cash accruals and scale of operations.

• Volatility in raw material prices

Margins of the company are susceptible to volatility in raw material prices, which have been uneven during the period under study. Any significant changes in raw material prices due to import pressure and over supply would have an impact on the revenues and margins of the company.

Liquidity Position

PGPL has moderate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.32 crore during September 2018 to March 2019 (Provisional), while its maturing debt obligations were around Rs.2.80 crore over the same period. The company's working capital operations are moderate as marked by gross current asset (GCA) days of 43 in FY 2019 (Provisional). Further, the reliance on working capital borrowings is moderate, the cash credit limit of the company remains utilised at ~76 percent during the last 6 months ended May, 2019. The company maintains unencumbered cash and bank balances of Rs.0.72 crore as on March 31, 2019 (Provisional). The current ratio of the company stood at 1.34 times as on March 31, 2019 (Provisional).

Acuite believes that the liquidity of the company is likely to improve over the medium term on account of healthy cash accrual backed by no project risk, healthy first quarter performance of FY2020 and healthy relationship with suppliers and customers.

Outlook: Stable

Acuite believes that PGPL will maintain 'Stable' outlook over the medium term from the industry experience of its management. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in PGPL's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)
Operating Income	Rs. Cr.	197.95	0.00
EBITDA	Rs. Cr.	5.20	-0.18
PAT	Rs. Cr.	1.97	-0.18
EBITDA Margin	(%)	2.62	0.00
PAT Margin	(%)	0.99	0.00
ROCE	(%)	16.21	-1.26
Total Debt/Tangible Net Worth	Times	1.37	0.56
PBDIT/Interest	Times	2.77	-36.45
Total Debt/PBDIT	Times	3.90	-43.64
Gross Current Assets (Days)	Days	43	0

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	23.40	ACUITE BBB- / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	12.60	ACUITE BBB- / Stable

*sublimit of LC of Rs.24.00 crore.

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Saurabh Rane Analyst - Rating Operations Tel: 02249294044 Saurabh.Rane@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings 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 6,000 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.