

## Press Release

Prabhat Global Colourcoated Private Limited

October 28, 2020



### Rating Upgraded & Withdrawn

<b>Total Bank Facilities Rated*</b>	Rs. 39.00 Cr. (Reduced from Rs.50.00 crore)
<b>Long Term Rating</b>	ACUITE BBB / Outlook: Stable (upgraded from ACUITE BBB-/Stable)

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BBB**' (**read as ACUITE triple B**) from '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.39.00 crore bank facilities of Prabhat Global Colourcoated Private Limited (PGCPL). The outlook is '**Stable**'.

Also, Acuité has upgraded and withdrawn the long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs.14.00 crore bank facilities of PGCPL.

### Reason for rating upgrade

Rating upgrade is reflected by an increase in the scale of operations along with profitability and improving financial risk profile. The revenues increased to Rs.396.56 crore in FY2020 (Provisional) from Rs.197.95 crore in FY2019. The increase is majorly because of increase in capacity utilisation to ~65 per cent in FY2020 from ~33 per cent in FY2019 along with 12 months of operations in FY2020 as against 6 to 7 months in FY2019. Revenues registered for the period April, 2020 to September, 2020 is more than Rs.210.00 crore and it is expected to be around Rs.450.00 to 500.00 for FY2021. Company has an improving financial risk profile marked by healthy net worth and debt protection measures and low gearing. Rating is further supported by an experienced management and its extensive presence in the industry.

### About the company

Incorporated in 2017, Prabhat Global Colourcoated Private Limited is engaged in processing of galvanized coils into PPGI/PPGL sheets. The day to day operations are managed by its Managing Director, Mr. Girish Jain, along with other directors, Mr. Karan Jain and Mr. Kunal Jain. Mr. Girish saw an opportunity in this business and started with this company in FY2017. The commercial operations started in Sept. 2019. Company has its manufacturing unit in Khopoli with an installed capacity of 100000 MT p.a.

### Analytical Approach

Acuité has considered the standalone financial and business risk profile of PGCPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### • Experienced management

PGCPL is promoted by its managing director, Girish Satshchandra Jain along with other directors, Mr. Kunal Jain, Mr. Karan Jain and Mrs. Sushma Satshchandra Jain who collectively possess experience of more than three decades in the steel industry. The extensive experience has enabled the company to forge healthy relationships with customers and suppliers.

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

- **Healthy scale of operations**

PGCPL started commercial operations in September, 2018. The company reported healthy revenue of Rs.197.95 crore in FY2019. This is majorly due to its established position in the market, healthy relationship with supplier and customers, which helped the company to avoid the offtake risk. Revenues increased to Rs.396.56 crore in FY2020 (Provisional).

Acuite believes that the scale of operations is expected to increase in near medium-term majorly due to healthy order book of Rs.72.08 crore, increased production and penetration in the export market.

- **Efficient working capital operations**

PGCPL has efficient working capital operations marked by Gross Current Assets (GCA) of 36 days (Provisional) in FY2020. The inventory and debtors' levels stood at 10 and 18 days (Provisional) in FY2020 as against 43 and 26 days in FY2019. Further, the average utilization of bank limits stood at ~30 per cent in the last six months ending September, 2020.

Acuité believes that the company's efforts to maintain the working capital operations efficiently will be key rating sensitivity.

- **Healthy financial risk profile**

The financial risk profile is healthy marked by healthy net worth and debt protection measures and low gearing. The net worth of the company has increased to Rs.33.50 crore (Provisional) FY2020 from Rs.24.94 crore as on 31 March, 2019. This includes quasi equity of Rs.17.45 crore (Provisional) in FY2020 and FY2019. The gearing of the company stood low at 0.85 times (Provisional) as on March 31, 2020 as against 1.38 times as on 31 March, 2019. Total debt of Rs.28.35 crore consists of term loans of Rs.7.06 crore, unsecured loans of Rs.6.31 crore and working capital facility of Rs.14.97 crore (Provisional) as on 31 March, 2020. Total outside Liabilities/Tangible Net Worth (TOL/TNW) has improved to 0.86 times (Provisional) as on 31 March, 2020 as against 1.62 times as on 31 March, 2019. The Interest Coverage Ratio (ICR) improved to 5.02 times (Provisional) in FY2020 from 3.04 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) improved to 0.38 times (Provisional) as on 31 March, 2020 from 0.10 times as on 31 March, 2019. Debt Service Coverage Ratio (DSCR) deteriorated to 1.53 times (Provisional) for FY2020 from 2.85 times in FY2019.

Acuité believes the financial risk profile will continue to remain healthy on account of improving the scale of operations.

### **Weaknesses**

- **Modest profitability**

Operating margins though increased to 3.86 per cent (Provisional) in FY2020 from 2.78 per cent in FY2019, it has stood at modest levels. Further, Profit after Tax (PAT) has increased to 1.74 per cent (Provisional) in FY2020 from 0.62 per cent in FY2019. This is mainly due to the processing nature of the business. Further, the 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 oversupply would have an impact on the revenues and margins of the company.

### **Liquidity Position: Strong**

PGCPL has strong liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.10.65 crore (Provisional) in FY2020 as against Rs.3.39 crore in FY2019, while its maturing debt obligation was Rs.5.89 crore (Provisional) in FY2019. The company's working capital operations are comfortable as marked by low gross current asset (GCA) days of 36 (Provisional) in FY2020. Further, the reliance on working capital borrowings is low, the cash credit limit in the company remains utilised at ~30 percent during the last 6 months' period ended September, 2020. The current ratio of the company stood at 1.81 times (Provisional) as on March 31, 2020.

Acuité believes that the liquidity will remain strong due to healthy net cash accruals along with no long term debt and debt-funded capex.

### Outlook: Stable

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

### Rating Sensitivities

- Significant improvement in the scale of operations along with profitability margins.
- Deterioration in financial risk profile and working capital operations of the company leading to stretched liquidity profile.

### Material Covenants

None

### About the Rated Entity - Key Financials

	Unit	FY20 (Prov.)	FY19 (Actual)
Operating Income	Rs. Cr.	396.56	197.95
PAT	Rs. Cr.	6.91	1.23
PAT Margin	(%)	1.74	0.62
Total Debt/Tangible Net Worth	Times	0.85	1.38
PBDIT/Interest	Times	5.02	3.04

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

None

### Any other information

None

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

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

### Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Jul-2019	Cash Credit	Long Term	23.40	ACUITE BBB- /Stable (Assigned)
	Term Loan	Long Term	14.00	ACUITE BBB- /Stable (Assigned)
	Proposed Bank Facility	Long Term	12.60	ACUITE BBB- /Stable (Assigned)

**\*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 (Upgraded from ACUITE BBB-/Stable)
Term Loan	19-12-2017	9.85%	31-04-2024	14.00	ACUITE BBB (Upgraded and Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB/Stable (Upgraded from ACUITE BBB-/Stable)

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**About Acuité Ratings & Research:**

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