



**Press Release**  
**Prabhat Global Colourcoated Private Limited**  
**April 22, 2024**

**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	60.00	ACUITE BBB+   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	60.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB+**' (read as **ACUITE Triple B plus**) on the Rs.60.00 crore bank facilities of Prabhat Global ColourCoated Private limited (PGCPL). The outlook is '**Stable**'.

**Rationale for reaffirmation**

The rating reaffirmation takes into account PGCPL's healthy financial risk profile and efficient working capital management. The rating is constrained by the moderation in operating performance and exposure to risks associated with planned capex. The company's operating income declined to Rs. 468.97 Cr. in FY2023 as against Rs. 774.91 Cr. in FY2022 driven by correction in steel prices during this period. The company in 9MFY2024 generated total sales of Rs.420.40 Cr. and is estimated to record revenue of ~Rs. 580 Cr. in FY2024. In terms of profitability, operating margins stood at 2.48 percent in FY2023 as against 8.63 percent in FY2022. In 9MFY2024, the operating margins stood at 4.90 percent and are estimated to range between 4-5 percent in near to medium term. Ableit the moderation in operations, the financial risk profile of the company strengthened marked by negligible debt, healthy debt protection metrics and improving net worth levels. The tangible net worth improved to Rs. 101.21 crore as on March 31, 2023 as against Rs.95.06 crore as on March 31, 2022. Thus, gearing level of the company reduced to ~0.00 times as on March 31, 2023 as against 0.17 times as on March 31, 2022. The working capital cycle continues to be efficiently managed marked by gross current asset days ranging between 42-70 days in the last three years ended FY2023. Going forward, the company's ability to improve its scale of operations and profitability while maintaining its capital structure and timely completion of planned capex without cost overruns will remain key rating monitorable.

**About the Company**

Prabhat Global Colourcoated Private Limited (PGCPL) was incorporated in 2017 and is engaged in manufacturing of galvanized coils in to PPGI/PPGL sheets. The day to day operations are managed by Mr. Girish Jain, who is the managing director, along with other directors, Mr. Karan Jain and Mr. Kunal Jain. The commercial operations in the company started in Sept. – Oct, 2018 and the manufacturing unit is situated in Khopoli with an installed capacity of 100000 MT/annum.

**Unsupported Rating**

Not applicable

**Analytical Approach**

Acuite has considered the standalone business risk profile and financial risk profile of PGCPL to

arrive at its rating.

## **Key Rating Drivers**

## Strengths

### **Extensive experience of promoters and association with reputed clientele**

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. Mr. Girish Jain has an extensive experience of more than thirty years in the steel industry, prior to starting PGCPL in 2017, he was engaged in trading of all types of steel (except for scrap) and also ran a rolling mill unit. The day to day operations and management are also taken care of by his sons Mr. Karan Jain and Mr. Kunal Jain. The extensive experience of the promoters has enabled the company to forge healthy relationships with reputed companies like Isopan Est. IRL, Tata Steel Ltd, Arcelormittal Nipponsteel India Ltd among others, majority of whom have been associated with PGCPL since its incorporation.

The operating income of the company stood at Rs. 468.97 Cr. in FY2023 as against Rs. 774.91 Cr. in FY2022. The moderation in operating performance during the year is primarily due to correction in steel prices during this period. The company in 9MFY2024 generated total sales of Rs.420.40 Cr. and is estimated to record revenue of ~Rs. 580 Cr. in FY2024. In terms of profitability, operating margins stood at 2.48 percent in FY2023 as against 8.63 percent in FY2022. In 9MFY2024, the operating margins stood at 4.90 percent and are estimated to range between 4-5 percent in near to medium term.

Acuité believes that the company will continue to benefit from its experienced management and established relationships with customers and suppliers. However, improvement in scale of operations and profitability in near to medium term will remain a key rating monitorable.

### **Healthy Financial Risk Profile:**

The financial risk profile is healthy marked by negligible debt, healthy debt protection metrics and improving net worth levels. The tangible net worth improved to Rs. 101.21 crore as on March 31, 2023 as against Rs.95.06 crore as on 31 March, 2022. The improvement is on account of accretion of profits to reserves. The total outstanding debt as on March 31, 2023 stood at Rs. 0.19 Cr. (working capital facility). Thus, gearing level of the company reduced to ~0.00 times as on March 31, 2023 as against 0.17 times as on March 31, 2022. The coverage ratios of the company remained comfortable with Interest Coverage Ratio (ICR) of 30.86 times for FY2023 as against 17.58 times for FY2022. The total outside liabilities to tangible net worth (TOL/TNW) of the company is low and stood at 0.06 times as on March 31, 2023 as against 0.31 times as on March 31, 2022. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 48.94 times for FY2023 as against 2.94 times for FY2022.

### **Efficiently managed working capital operations**

The operations of the company are managed efficiently marked by low GCA days of 69 days for FY2023 as against 42 days for FY2022. The low GCA days is majorly on account of low inventory levels which stood at 36 days for FY2023 as against 20 days for FY2022. The debtor days also remained low at 3 days for FY2023 as against 4 days for FY2022. The average utilization of the working capital limits of the company remained on the lower side of ~22 percent in last six months ended as on March' 2024.

## Weaknesses

### **Exposure of risks associated with planned capital expenditure**

The company is planning a backward integration project for setting up galvanising unit. Currently, the company procures galvanised coils and has a colour coating plant of 100000 MT/annum. It plans to install a galvanising unit of 150000 MT/annum capacity. The construction of the project was planned to commence from February, 2023 however, was postponed to June, 2024 in view of the market scenario. The total cost of the project is currently estimated to be ~Rs.90 crore out of which ~Rs. 40 crore is expected to be funded by bank loans, ~Rs. 40 crore through internal accruals and remaining ~Rs. 10 crore will be raised through promoter's contribution in the form of unsecured loans. The debt tie up for the project is pending.

Acuité believes timely project implementation while sustaining the financial risk profile without

any time and cost overruns remains a key sensitivity factor

### **Rating Sensitivities**

> Timely Completion of capex without cost overruns

> Ability to improve its scale of operations and profitability margins while maintaining its capital structure

### **Liquidity Position**

#### **Adequate**

PGCPL has adequate liquidity position marked by adequate net cash accruals against no maturing debt obligations. The company generated cash accruals of Rs.9.04 crore in FY2023 compared against no maturing debt obligations. Going ahead, the cash accruals of the company are estimated to remain around Rs.18-25 crore during 2024-2025 period against no significant maturing debt obligations. The GCA days stood at 69 days as on March 31, 2023 and the average utilization of the working capital limits of the company remained on the lower side of ~22 percent in last six months ended as on March' 2024. Furthermore, the company maintains unencumbered cash and bank balances of Rs.6.57 crore as on March 31, 2023 and the current ratio also stood at 12.41 times as on March 31,2023.

### **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 continuing to maintain efficiency in its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue generation or decline in profitability levels or weakening its capital structure and debt protection metrics or any time or cost over runs in its planned capex

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	468.97	774.91
PAT	Rs. Cr.	6.53	44.19
PAT Margin	(%)	1.39	5.70
Total Debt/Tangible Net Worth	Times	0.00	0.17
PBDIT/Interest	Times	30.86	17.58

### 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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Jan 2023	Cash Credit	Long Term	35.00	ACUITE BBB+   Stable (Reaffirmed)
	Packing Credit	Long Term	25.00	ACUITE BBB+   Stable (Reaffirmed)
30 Oct 2021	PC/PCFC	Long Term	25.00	ACUITE BBB+   Stable (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB+   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.60	ACUITE BBB+ (Reaffirmed & Withdrawn)
24 Sep 2021	Proposed Long Term Bank Facility	Long Term	0.60	ACUITE BBB+   Stable Upgraded
	PC/PCFC	Long Term	15.00	ACUITE BBB+   Stable Upgraded
	Cash Credit	Long Term	23.40	ACUITE BBB+   Stable Upgraded

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE BBB+   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB+   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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