Press Release
PRH RESOURCES PRIVATE LIMITED (ERSTWHILE H K ENTERPRISES)
January 19, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE BBB | Stable | Assigned	-
Bank Loan Ratings	3.00	ACUITE BBB | Stable | Reaffirmed	-
Bank Loan Ratings	68.00	-	ACUITE A3+ | Assigned
Bank Loan Ratings	177.00	-	ACUITE A3+ | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	250.00	-	-

Rating Rationale
Acuité has reaffirmed and assigned the long-term rating of **'ACUITE BBB' (read as ACUITE t riple B)** and the short-term rating of **'ACUITE A3+' (read as ACUITE A three plus)** on the Rs.250.00 Cr bank facilities of PRH Resources Private Limited (PRPL). The outlook is **'Stable'**.

Rationale for rating
The rating of HG takes into account increase in the group's revenue of Rs.5,430 Cr in FY2023 against Rs.3,971 Cr. in FY2022 marking a growth of ~37 percent. The growth in the revenue during FY2023 is contributed by increase in the sales volume and increase in the prices of coal and steel. The group sold around 46.30 lakh MT of cargo in FY2023 as against 38.00 lakh MT in FY2022.

The rating reaffirmation further considers the continuing healthy capital structure characterised by healthy net worth profile and low gearing ratios supported by moderate debt protection metrics. The reaffirmation also gets comfort from sound business practices of the group supported by the promoter's business experience and long-term presence in the line of business, streamlined business model that is adequately hedged against possible risks and continued maintenance of healthy liquidity. However, the strengths are offset by decline observed in the group's operating and net profit margin which stood at 2.56 percent and 1.22 percent in FY2023 as against 2.71 percent and 2.08 percent in FY2022, fluctuating working capital cycle of the group, competitive and fragmented nature of the industry, susceptibility of revenues to the demand and supply forces and counterparty credit risk.

About Company
Established in the year 2010 (Erstwhile H K Enterprises)and in the year 2022 PRH Resources Private Limited was incorporated by taking over the entire running business and assets/liabilities of H.K. Enterprises which earlier was a Partnership Firm. PRPL is engaged in importing coal & coke from South Africa, Indonesia & Australia, Russia & USA and importing materials viz. iron shredded scrap, heavy melting scrap, sponge iron, iron ore, billets and plates, plastics, etc. from Gulf countries, China, Russia, USA. The firm is currently being independently managed by Mr. Sandeep Hisaria and his daughter Ms. Radhika Hisaria.

About the Group

Hisaria Group is promoted by Late Mr. Sawarmal Hisaria in the year 1964, of Hisaria family based out of Mumbai. The firm was initially engaged in the trading of plain dyed cotton & synthetic sarees, blouse pieces, dress material, towels, bed sheets, among others. The group procures the variety of imported bulk cargo from mines & manufacturers situated in Australia, South Africa, Korea, United States of America, United Kingdom, Russia, Egypt, Mexico, China, Indonesia, etc. The Group has built in established presence at all the major ports in country situated at coast of State of Gujarat, Andhra Pradesh, Karnataka, Tamil Nadu, Maharashtra, Orissa, etc. to handle shipments ranging from 50,000 MT to 1,20,000 MT in a single shipload. Pan India coastal connectivity enables the group to cater the customers located in any part of the India. Hisaria Group comprises of four entities i.e. PRH Resources Private Limited (PRHPL) (Erstwhile HK Enterprises), Ameet Enterprise (AE), AT Trade Overseas Private Limited (ATPL) and A.T. Global Resources Pte Ltd (ATGRPL). The group companies have no intercompany transactions among themselves. The group has diversified its activities into trading of various bulk commodities comprising of:

i. Coal (Coking & Non-coking) ii. Plastics
iii. Shredded Scrap iv. Copper Coils
v. Heavy Melting Scrap vi. Iron Ore
vii. Scrap Iron viii. Billets & Pellets
ix. Sponge Iron

Unsupported Rating
Not Applicable

Analytical Approach

Extent of Consolidation
• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support
Acuité has consolidated the business and financial risk profile of A T Trade Overseas Private Limited (ATPL), Ameet Enterprises (AE), PRH Resources Private Limited (PRPL) and A.T. Global Resources Pte Ltd. (ATGRPL) together referred to as the 'Hisaria Group' (HG). The consolidation is in view of the similar line of business and common promotor family.

Key Rating Drivers

Strengths
Group's vintage presence in trading business

The group was founded in 1964 by late Mr. Sawarmal Hisaria, thus; has an operational track record of over five decades. The group started the business with trading of textile products. Later in 1997, sons of Mr. Sawarmal Hisaria - Mr. Sandeep Hisaria and Mr. Sangeet Hisaria joined the family business and diversified the group activities into trading of imported bulk commodities comprising of coal (coking and non-coking), shredded scrap, heavy melting scrap, billets, pellets, sponge iron, iron ores and textile products among others. The established operational track record has helped the group maintain long standing relations with customers and suppliers both in domestic and international geographies. The group benefits from its experienced promoters who collectively possess around four decades of experience in the coal trading industry.

Acuité believes that the group will continue sustaining its existing business profile on the back of its established track record and experienced management.

Streamlined business model with adequate cash coverage for timely retirement of LCs' that mitigates unforeseen distress

The group is engaged mainly in the trading of imported bulk commodities like coal with a single shipload estimating 50,000 MT to 1,20,000 MT for supplies to varied large industrial users. The group has chalked out a systematic end-to-end process right from identification of supplier and buyer for a shipment to timely closure of financial obligations against the shipment. The group receives an interest free advance deposit from customer equivalent to 10 to 20 percent of contract value and the title of the cargo remains with the group until complete value of cargo is recovered. Further, material is supplied on cash and carry basis to the customers, while extending credit of advance deposit only at the time of lifting of last batch of shipment. Thus, the customer pays upfront equivalent to PMT value before receiving a delivery order from HG.

The group is invested into importing of coking and non-coking coal mainly from overseas and majorly relies on the letter of credit facility. The group purchases its raw materials which are backed by LCs' with an usance period of 90 to 180 days and the LC payments are made from sale proceeds received in tranches from customers, not exceeding more than 135 days; depending on the complete unloading of cargo. The group also follows methodically accumulating the sale proceeds in the form of fixed deposits for timely retirement of LC's. No major bunching of the LC's since not all LCs' are due at same point of time. Further, the contract agreement also stipulates for the customer to complete the lifting of cargo within an agreed period or the group is eligible to forfeit all advances against the cargo and sell the cargo to another party. The group also maintains an additional margin of approx. 5 percent from customer in order to cover the foreign exchange exposure. The group does not maintain any long-term quantity supply/procurement contract and neither have long-term fixed price contract; each shipment is negotiated independently.

Acuité believes that group's financial discipline for retirement of LCs is expected to support its cash flow management in an effective manner.

Healthy financial risk profile

Financial risk profile of HG is healthy marked by healthy net worth, low gearing and moderate debt protection metrics. The tangible net-worth of the group stood healthy at Rs.423 Cr as on 31 March, 2023 as against Rs.347 Cr as on 31 March, 2022 due to healthy accretion of profits to reserves. The gearing (debt-equity) stood at 0.66 times as on 31 March, 2023 as against 0.64 times as on 31 March, 2022 despite an increase in the group's overall debt of Rs.279 Cr in FY2023 as against Rs.222 Cr in FY2022. This is due to an increase in the unsecured loans availed by the group from promoters/friends & relatives. The total debt of Rs.279 Cr as on March 31, 2023 comprises of unsecured loans from promoters/friends & relatives of Rs.141 Cr and the short-term bank borrowings of Rs.138 Cr. The gearing of the group is expected to improve further and remain low over the medium term in the absence of any significant debt-funded capex plan.

The interest coverage ratio and DSCR stood moderated at 2.51 times and 1.57 times for FY2023 as against 8.16 times and 3.46 times for FY2022. The Net Cash Accruals to Total debt stood lower at 0.24 times for FY2023 as against 0.38 times for FY2022. The Total outside liabilities to Tangible net worth stood improved at 1.76 times for FY2023 as against 2.23 times for FY2022. The Debt-EBITDA ratio stood at 1.95 times for FY2023 as against 1.97 times for FY2022.

Acuité believes that the financial risk profile of HG will remain healthy over the medium term due to its low gearing, healthy tangible net worth and moderate debt protection metrics.

Improving operating performance albeit decline in profitability margins

HG's revenue stood increased significantly at Rs.5,430 Cr in FY2023 as against Rs.3,971 Cr in FY2022. The growth in revenues during FY2023 is contributed by increase in the sales volume and increase in prices of coal and steel. The group sold around 46.30 lakh MT of cargo in FY2023 as against 38.00 lakh MT in FY2022. Further, the group works on fixed trade margins. The operating margin during FY2023 stood at 2.56 percent as against 2.71 percent in FY2022. However, on the absolute levels HG has recorded healthy revenues and its EBITDA is comfortably sufficient to meet all the obligations. On the other hand, the net profit margin of the group stood decline at 1.22 percent in FY2023 as against 2.08 percent in FY2022 due to subsequent increase in the interest cost marked by an increase in the LC usance charges.

For the current year as of November 2023, HG has achieved revenue of ~Rs.2151 Cr and is further expected to achieve a revenue of ~Rs.4000 Cr by the year end. The sales volume is expected to remain stable over the medium term however the prices of coal and steel which remained significantly high previously have now reduced and stabilised during the current year due to which the overall revenue of the group is expected to remain subdued by the year end.

Acuité believes that the ability of HG to achieve the estimated levels of revenue without any further decline in the profitability margins will remain a key rating sensitivity factor.

Weaknesses

Fluctuating nature of working capital cycle

HG's operations have a fluctuating trend of working capital management as reflected by its gross current asset (GCA) days of 44 days in FY2023 which stood improved as against 70 days in FY2022. The group has a negative working capital cycle on account of minimal holding period of any inventory and presence of back-to-back payment terms with creditor and debtors. The inventory days stood at 13 days in FY2023 as against 7 days in FY2022 and creditor days stood at 25 days in FY2023 as against 45 days in FY2022. Since these are trading concerns and not restricted to any optimal utilization, the business volumes depend on the demand-supply factors. Besides, as a key to the business model, the ownership of cargo remains with HG until complete lifting and payments are made by customer.

The group mostly deals with shipment with sizes from 50,000 to 1,20,000 MT and above wherein the ideal lead time of lifting is nothing less than 135 days (approx. 4 months & above). Therefore, business happens to get cumulated in the year end (February/March) which is why the cycles continue to remain fluctuating. This is inherent to nature of business and practices followed in the group. The current ratio stood at 1.91 times as on March 31, 2023. The average bank limit utilization of fund based working capital limits for 6 months' period ended November 2023 stood lower at ~6 percent whereas of non-fund based limits, the average utilisation stood at ~53 percent.

Acuité expects the working capital management to remain on similar lines over the medium term on account of business policies maintained by the group and presence of back-to-back payment terms with creditor and debtors.

Counterparty credit risk

The group's business process involves purchasing the bulk cargo backed by LCs' and stipulates for the customer to complete the lifting of cargo within an agreed period. However, the group is exposed to certain counterparty credit risk associated with the other party to a financial contract not meeting its obligations or denying to buy the shipment putting HG's financial profile at risk. However, in efforts to mitigate the same, the group has chalked out a systematic end-to-end process where it receives an interest free advance deposit from customer equivalent to 10 to 20 percent of contract value and the title of the cargo remains with the group until complete value of cargo is recovered. Additionally, material is supplied on cash and carry basis to the customers, while extending credit of advance deposit only at the time of lifting of last batch of shipment. Further, the group is eligible to forfeit all advances against the cargo and sell the cargo to another party in case the other party denies to fulfull its commitment.

Rating Sensitivities

- Ability to achieve the estimated levels of revenue without any further decline in the profitability margins
- Any significant stretch in the already fluctuating nature of working capital cycle owing to the nature of business
- Bunching of LC's; any negative gap in the retirement of LC and outstanding value of fixed deposits

Liquidity Position - Strong

HG has strong liquidity position marked by healthy net cash accruals (NCA) to its maturing debt obligations and adequately available cash in the form of FDRs. The group generated cash accruals in the range of Rs.45 Cr to Rs.67 Cr during FY2021 to FY2023 against its debt repayment obligation in the range of Rs.0.11 Cr to Rs.0.53 Cr during the same period. Going forward, the NCA are expected in the range of Rs.53 Cr to Rs.60 Cr for the period FY2024-FY2025 against its debt repayment obligation in the range of Rs.0.04 Cr to Rs.0.11 Cr during the same period. The working capital operations of the group are efficient marked by its gross current asset (GCA) days of 44 days for FY2023. The average bank limit utilization of fund based working capital limits for 6 months' period ended November 2023 stood lower at ~6 percent whereas of non-fund based limits, the average utilisation stood at ~53 percent. Current ratio stands at 1.91 times as on 31 March 2023. The group has maintained unencumbered liquid funds of Rs.253 Cr in FY2023 and has maintained cash & bank balance of Rs.82 Cr in FY2023.

Acuité believes that the liquidity of the group is likely to remain strong over the medium term due to the prudent practice of methodically accumulating the sale proceeds from customers in the form of fixed deposits, helping the group to avoid any instances of delayed retirement of LCs, safeguarding against any liquidity crunches.

Outlook: Stable

Acuité believes that the outlook on HG will remain 'Stable' over the medium term given the favorable industry outlook, its established position and adequately hedged trade linkages and continuous maintenance of robust liquidity. The outlook may be revised to 'Positive' in case the group registers higher than-expected growth in the revenues while sustained improvement in its profitability. Conversely, the outlook may be revised to 'Negative' in case of significant bunching of LCs in any particular month and/or in case of negative gap in LC retirement and fixed deposits outstanding or in case of significant deterioration in its financial risk profile or liquidity position overall.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	5429.76	3971.12
PAT	Rs. Cr.	66.33	82.72
PAT Margin	(%)	1.22	2.08
Total Debt/Tangible Net Worth	Times	0.66	0.64
PBDIT/Interest	Times	2.51	8.16

Status of non-cooperation with previous CRA (if applicable)
Not applicable

Any Other Information
None

Applicable Criteria
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
• Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm
• Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
• Trading Entitie: https://www.acuite.in/view-rating-criteria-61.htm

Note on Complexity Levels of the Rated Instrument
In order to inform the investors about complexity of instruments, Acuité 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Nov 2022	Letter of Credit	Short Term	23.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	25.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB | Stable (Reaffirmed)
	Letter of Credit	Short Term	19.00	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	40.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	70.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB | Stable (Assigned)
07 Sep 2022	Letter of Credit	Short Term	23.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	2.00	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
	Letter of Credit	Short Term	70.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	40.00	ACUITE A3+ (Upgraded from ACUITE A3)
10 Jun 2021	Letter of Credit	Short Term	70.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	23.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BBB- | Stable (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A3 (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB | Stable | Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BBB | Stable | Assigned
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A3+ | Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	42.00	ACUITE A3+ | Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	95.00	ACUITE A3+ | Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE A3+ | Assigned
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A3+ | Assigned
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	33.00	ACUITE A3+ | Assigned

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)

- A T Trade Overseas Private Limited (ATPL)
- Ameet Enterprises (AE)
- PRH Resources Private Limited (PRPL)
- A.T. Global Resources Pte Ltd. (ATGRPL)

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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.