



Press Release
PRIME GOLD SAIL JVC LIMITED
December 24, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	8.00	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.30 Cr. bank facilities of Prime Gold Sail JVC Limited (PGS JL). The Outlook is '**Stable**'.

Rationale for Rating

The rating assigned reflects the established track record of operations and the extensive industry experience of the group's promoters in the same line of industry for more than four decades. The rating also factors the steady scale of operations with improved profitability & margins, healthy financial risk profile, efficient working capital operations and adequate liquidity profile of the group. However, the inherent cyclicity of the steel business and intense competition in the industry make margins and cash flows vulnerable to fluctuations in prices and demand.

About the Company

Delhi Based, Prime Gold Sail JVC Limited it was incorporated in 2012. Engaged in processing TMT Bars with the brand name Prime gold Sail. Prime Gold SAIL JVC Limited (PGS JL) is a joint venture established in 2012 between Prime Gold International Limited (PGIL) with 74% holding and Steel Authority of India(SAIL) with 26% holding. The plant is located at Gwalior, Madhya Pradesh with capacity of 1,50,000 MTPA. Currently Mr. Pradeep Aggarwal, Ms. Geeta Agarwal and Mr. Ajoy Kumar Chakraborty are the directors of the company.

About the Group

Prime Gold International Limited (PGIL) was established in 1997 by Mr. Pradeep Aggarwal (Earlier Founder of Kamdhenu Group). The company has a manufacturing unit at Uliveeranapalli, Thally Road, Hosur, Tamil Nadu with capacity of 90,000 MT. The Hosur unit is established to manufacture and supply of steel products to cover the needs of customers of south India more than two decades. In 2005, the company started the operations under own brand name "Prime Gold" TMTBars. Currently Mr. Achin Aggarwal, Mr. Pradeep Aggarwal Ms. Geeta Agarwal and Mr. Ankur Jain are the directors of the company.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of Prime Gold International Limited (PGIL) and Prime Gold SAIL JVC Limited (PGSJL) together referred to as the 'Prime Group (PG)'. The consolidation is in the view of common management, strong operational linkages between the entities and a similar line of business.

Key Rating Drivers

Strengths

Experienced Management

The group is managed by Aggarwal family with Mr. Pradeep Aggarwal as a director who has over 40 years of experience in the steel industry and has navigated the complexities of manufacturing and marketing a wide range of premium products, including steel, cement, stainless steel, water pipes and fittings, paints, etc. Mr. Achin Aggarwal, Managing Director of PGIL, elder son of Mr. Pradeep Aggarwal, is looking after the entire operations. Mr. Pulkit Aggarwal, younger son of Mr. Pradeep Aggarwal, having experience of more than 5 years in industry looking after the operations of PGSJL. The group has planned a to set up a solar power plant for self-consumption which will eventually help to improve operational margin in near to medium term. Acuité believes that the long operational track record of the group coupled with the extensive experience of the management will continue to benefit the group going forward, resulting in steady growth in the scale of operations.

Steady scale of operations with improved profitability

The revenue from the operations of the group has declined by 1.23%, thereby reducing the topline from Rs. 795 Cr. in FY 2023 to Rs. 785.24 Cr. in FY 2024 but still remains largely stable. The group has sold more volume units in FY23-24 against previous year, however, the decline in the revenue is due to decline in the average price realization and in raw material prices. The operating margin of the group improved by 18 bps in FY 2024. The operating margin of the group stood at 2.46% in FY24 against 2.28% in FY23. The Net margin improved by 42 bps which stood at 1.35% in FY24 against 0.93% in FY23. The net profit of the group is Rs. 10.59 Cr. in FY2024 against the Rs. 7.40 Cr. in FY 2023. Acuité believes that going forward, the group will able to improve scale of operations & profitability in near to medium term on the account of better price realizations.

Healthy Financial Risk Profile

The group's financial risk profile is healthy marked by net worth, gearing and debt protection metrics. The tangible net worth of the group improved & stood at Rs. 77.31 Cr. as on March 31, 2024, against Rs. 66.89 Cr. as on March 31, 2023, This mainly due to accumulation of profits into reserves. The Gearing ratio of the group stood below unity at 0.39 times as on March 31, 2024, as against 0.29 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved and stood at 1.67 times as on March 31, 2024, as against 2.10 times as on March 31, 2023. The debt protection metrics of the group is marked by ISCR at 4.98 times and DSCR at 1.61 times as on March 31, 2024. The ROCE of the group is 16.09% in FY 2024. Acuité believes that going forward the financial risk profile of the group will remain at same level backed by steady accruals and debt funded capex in near term.

Weaknesses

Susceptibility to volatility in raw material prices and cyclicalities inherent in the steel industry

The group's performance remains vulnerable to cyclicalities in the steel sector given the close linkage between the demand for steel products and the domestic and global economies. The end-user segments such as real estate, civil construction, and engineering also display cyclicalities. The steel industry is sensitive to the shifting business cycles, including changes in the general economy and seasonal changes in the demand and supply conditions in the market. The prices and supply of the main raw material, sponge iron, directly impact the realisation of finished goods. Any significant reduction in demand and prices adversely impacting the operating margins and cash accruals of the group will remain a key monitorable.

Rating Sensitivities

- Movement in scale of operations and profitability margins
- Timely execution of Capex

Liquidity Position**Adequate**

The liquidity profile of the group is adequate marked by generating net cash accruals of Rs. 15.83 Cr. in FY23-24 against the maturing debt obligations of Rs. 8.12 Cr. for the same year. The group is expecting to generate net cash accrual of Rs. 15-18 Cr. in FY 25 with the maturing debt obligation of Rs. 1.95 Cr. for the same period. The group has a cash & bank balance of Rs. 4.40 Cr. as on 31st March 2024. The current ratio of the group is 1.15 times for FY 23-24. The liquidity of the group is expected to improve as the group is expecting to generate steady cash accruals indicating availability of funds in near to medium term.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	785.24	795.00
PAT	Rs. Cr.	10.59	7.40
PAT Margin	(%)	1.35	0.93
Total Debt/Tangible Net Worth	Times	0.39	0.29
PBDIT/Interest	Times	4.98	3.32

Key Financials (Standalone)

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Operating Income	Rs. Cr.	396.11	417.45
PAT	Rs. Cr.	5.16	3.03
PAT Margin	(%)	1.30	0.73
Total debt/Tangible Net Worth	Times	0.44	0.47
PBDIT/Interest	Times	2.92	4.70

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

None

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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 :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Kotak Mahindra Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE A3+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB- Stable Assigned
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	25 Mar 2028	12.00	Simple	ACUITE BBB- Stable Assigned

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

Sr. No.	Company name
1	Prime Gold International Limited
2	Prime Gold Sail JVC Limited

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About Acuité Ratings & Research

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