

Propus Designs And Displays Private Limited

May 04, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.00	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable)
Total Facilities	15.00 (Rs. Fifteen Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 27, 2020 placed the ratings of Propus Designs And Displays Private Limited (PDDPL) under the 'issuer non-cooperating' category as PDDPL had failed to provide information for monitoring of the rating. PDDPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated February 10, 2021, February 20, 2021, March 02, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by PDDPL with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to remain constrained owing to nascent stage of operations with eroded tangible net-worth base, weak profitability with susceptibility of profit margins to volatile raw material prices, project execution, funding & stabilization risk inherent to new factory setup and presence in competitive & fragmented industry.

The ratings, however, continue to take comfort from established track record of the group in manufacturing of metal products and highly experienced promoters in manufacturing of metal products.

Detailed description of the key rating drivers

At the time of last rating on March 27, 2020 the following were the rating weaknesses and strengths:

Detailed description of the key rating drivers

Key Rating Weaknesses

Nascent stage of operations with eroded tangible net-worth base:

The operations of PDDPL are nascent in stage, since the company was established only in May 2016, whereas it has been undertaking only consultancy services on a very miniscule scale since then. Given this, coupled with the net losses posted led by nascent stage of operations, the tangible net-worth base stood eroded as on March 31, 2020.

Weak profitability with susceptibility of profit margins to volatile raw material prices:

During FY20, given the nascent stage of operations, the company posted nil operating profit as against 0.01 crore loss in FY19. Moreover, given the primary raw materials being various types of steel, the profit margins are expected to remain susceptible to the volatility in the same.

Project execution, funding & stabilization risk inherent to new factory setup:

PDDPL is proposing to set up a new factory in Alwar, Rajasthan, to manufacture telecom panels, chimneys and meta racks. The said project is estimated to cost Rs.23.75 crore, to be primarily funded by way of term loan from bank/financial institution (FI), unsecured loans and equity share capital. The company is exposed to significant project execution & funding risk, since it has incurred only 9.09% of the total project cost as on February 26, 2019 towards the purchase of land as an advance payment. Further, term loan from bank/FI is also yet to be tied up for the remaining unexecuted part of the project. Moreover, the company is also exposed to stabilization risk with regard to subsequent timely stabilization

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

& commencement of the operations after the commissioning of the project which is expected to be commissioned by September 2020.

Presence in competitive & fragmented industry

PDDPL operates in a highly competitive & fragmented industry with a number of players engaged in manufacturing of telecom panels, chimneys and metal racks. Moreover, the presence of reputed clientele in the aforementioned segments intensify the already prevailing competition in the industry which may further puts pressure on profit margins of the company and may also limits the bargaining power with its customers.

Key Rating Strengths

Established track record of the group in manufacturing of metal products

Propus Group, apart from PDDPL, comprises Propus Inc, a partnership firm, as well as P3P Productions Private Limited (P3P). Propus Inc, established in 2014, is engaged in manufacturing of telecom panels, chimneys and metal racks. On the other hand, P3P, incorporated in 2011, is engaged in manufacturing of stainless steel (SS) table, metal display stands, restaurant tables, phone metal display stands, and undertaking job-work of SS laser cutting, press brake bending and machine works.

Highly experienced promoters in manufacturing of metal products:

The overall operations of PDDPL are looked after by the promoters – Mr. Manan Bansal along with his friend's wife Mrs. Nidhi Mittal, who possess a total experience of over 7 years in the field of manufacturing of metal products.

Liquidity Analysis

As on March 31, 2018, the company owns a cash & bank balance worth Rs.0.01 crore, whereas the current ratio and quick ratio stood low at 0.98 times as on March 31, 2019 (vis-à-vis 0.12 times as on March 31, 2018).

Analytical Approach: Standalone

Applicable criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[CARE's methodology for manufacturing companies](#)

About the Firm

Incorporated in May 2016 by Mr. Manan Bansal and Mrs. Nidhi Mittal, Propus Designs and Displays Private Limited (PDDPL) is engaged in providing consultancy services in the field of manufacturing of telecom panels, chimneys and metal racks for warehousing. However, the company has planned to come up with a new factory for manufacturing of telecom panels, chimneys and metal racks. The telecom panels find application in the telecom towers. The telecom panels are to be catered to various reputed telecom service providers across India, chimneys are to be catered to various factories, whereas the metal racks are to be catered to various companies for their warehousing facilities. The said factory is proposed to be set up at RIICO (Rajasthan State Industrial Development and Industrial Corporation) Industrial Area in Alwar, Rajasthan, with a total estimated cost of Rs.23.75 crore proposed to be funded by way of a bank term loan worth Rs.15 crore and the balance by way of promoters' contribution.

Non BFSI

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	0.18	0.00
PBILDT	0.04	0.00
PAT	0.01	0.00
Overall gearing (times)	-40.06	0.00
Interest coverage (times)	1.23	0.00

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	15.00	CARE B-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	15.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (27-Mar-20)	1)CARE B+; Stable (04-Mar-19)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mr. Mradul Mishra

Contact no.: +91-22-6837 4424

Email ID: mradul.mishra@careratings.com

Analyst Contact

Mr. Achin Nirwani

Contact no.: +91- 11-4533 3233

Email ID: achin.nirwani@careratings.com

Business Development Contact

Ms. Swati Agrawal

Contact no.: +91-11-4533 3200

Email ID: swati.agrawal@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**