

PRG International Electricals Private Limited

September 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	75.00	CARE BB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation to the ratings assigned to the bank facilities of PRG International Electricals Private Limited take into cognizance the moderation in the operational performance as well as the financial risk profile of the company during FY24 (refers to the period April 1 to March 31) resulting from raw material price fluctuation and the inability of the company to pass on the same to its customers. The ratings are further constrained by the working capital-intensive nature of operations along with the stretched liquidity position. The ratings also factor in the company's presence in a competitive and fragmented industry coupled with exposure towards foreign exchange fluctuation risk. However, the ratings draw strength from the long-standing experience of promoters in the electrical stamping industry which is reflected by the reputed clientele of the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income above Rs 400 crores with PBILDT margin above 10% on sustained basis.
- Improvement in overall gearing below 1.5x on sustained basis.

Negative factors

- Decline in total operating income of the company below Rs. 300 crores with decline in PBILDT margin below 7% on sustained basis
- In case of any debt funded capex other than through unsecured loans by promoters resulting in adjusted overall gearing (excluding unsecured loans by promoters) above 2.5x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall benefit from its reputed clientele as well as the experience of its promoters.

Detailed description of the key rating drivers:

Key Weaknesses

Moderation in operational performance

The company generates 45% of its domestic revenue from sale of electrical stampings and laminations in the domestic market to well establish client base of Havells India Limited, Crompton Greaves Limited and CG Power and Industrial solutions Limited. The remaining domestic revenue is generated from sale of die cast rotor, wound stator, covers and ceiling fans in domestic market. The total operating income (TOI) of the company moderated by 3.07% y-o-y to Rs. 303.81 cr in FY24 as compared to Rs. 313.48 crores in FY23. Since the company could not pass on the changes in raw material prices to its customers, thereby impacting their profitability marked by decrease in PBILDT margin by 267 basis points and resultant net losses in FY24. However, owing to stabilisation of RM prices post that, company reported a Profit Before Tax (PBT) of Rs. 3.06 crores during Q1FY25 (refers to the period from April 01, 2024, to June 30, 2024) with a TOI of Rs. 87.37 crores. Further, earlier the reset of the prices with its customers was done at quarterly/ half yearly intervals which resulted in delay in passing on of the increased prices of raw material to its customers, however, now company is negotiating the prices on monthly basis. Going forward, the company plans to commence with their export operations from October to countries like Turkey, Italy and then subsequently to US, which is expected to further improve its profitability.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Moderate Financial Risk Profile

The financial risk profile of the company stood moderate as reflected by debt-to-equity ratio and overall gearing ratio of 1.13x and 2.13x respectively as on March 31, 2024, as compared to 1.18x and 2.06x respectively as on March 31, 2023. The moderation in the debt coverage indicators of the company despite the marginal reduction in the total debt of the company, was because of the net losses reported by the company in FY24, which impacted the net worth base of the company. Going forward, the management would be infusing additional funds as equity infusion, which would strengthen the net worth base of the company.

Working capital Intensive nature of operations

The operations of the company are working capital Intensive as reflected by the Gross Current Assets of 131 days as on March 31, 2024, as compared to 120 days as on March 31, 2023. Further, the collection period of the company moderated to 60 days as on March 31, 2024, as compared to 45 days as on March 31, 2023, as the company offers a credit period of 45-90 days to its customers, with the exception of ABB India Limited, for whom the credit period stands at 180 days. Furthermore, the credit period offered to the company varies from 30-90 days.

Highly fragmented industry with unorganised players

The electronic manufacturing industry is highly fragmented industry with a large number of organised and unorganized players. Some of the leading players in the industry include Philips, Bajaj, Surya Roshni, Crompton Greaves, and Havells India Limited etc. The increase in the size of the industry has led to increase in contract manufacturers leading to highly competitive intensity; however, PRG has established strong relations with its customers on the back of its exhibited operational efficiency, timeliness of delivery and quality control.

Exposure to raw material price volatility

The main raw material required for manufacturing of covers top and bottom stamping as well as wound stators is steel, aluminium, nickel and copper, the prices of which have remained volatile in the past. Therefore, any unfavourable movement in steel prices, along with the limited bargaining power of PRG, could exert further press on profitability over the medium term. However, to better deal with price fluctuations, the company is now negotiating with their customers monthly instead of quarterly basis, which was being until now. Hence, any price change would be better passed on to the end customer from now on.

Foreign exchange Risk

The company imports approximately 26% of its raw materials from China (Rs. 66.88 crores), while the products manufactured by the company are sold domestically. Hence the company faces foreign exchange fluctuation risk, since there is an absence of any natural hedge. Also, the company does not book any forward contracts. Furthermore, the company booked a foreign exchange gain of Rs.0.11 crores as on March 31, 2024 (PY: Rs.0.46 crores).

Key strengths

Established Clientele albeit revenue concentration risk

The long withstanding of PRG International private limited in the electrical stamping industry has led to the development of an established client base. PRG International does job work for Havells India Limited (CARE AAA; Stable/CARE A1+), Crompton Greaves Consumer Electricals Limited, ABB India Limited. During FY24, PRG International electrical Private limited was generating ~70% of its revenue from its top 5 clients and 83.20% of its revenue from its top 10 clients.

Experienced promoters with long track record of operations

The company is led by Mr Rajeev Goyal who has an experience of more than 30 years in the electrical stamping industry and is supported by a management team of experienced professionals. The company was started by Prem Chand Goel, who was engaged into manufacturing of stamping and lamination from 1978. The promoter and management have long track record of working in the stamping and lamination industry. The company is manufacturing Electrical Stamping & Lamination, Die Cast Rotor and other electrical appliances from 1995. Over the years, PRG has established his name into electrical stamping and lamination industry and has good customer base including Havells India Limited, Crompton Greaves Consumer Electricals Limited, ABB Limited. The promoters of the company were among the first to introduce Schuler presses, leading German electrical machinery in Northern India.

Liquidity: Stretched

The liquidity profile of the company is stretched as reflected by expected gross cash accruals to the tune of Rs.16-17 crore in FY25 against scheduled repayment of Rs.14.94 crore. The Cash and cash equivalents stood at Rs. 0.46 crores as on March 31, 2024. Further, the average utilization of working capital borrowings stood at 100% for the trailing 12 months ended June 2024. Further the management would be infusing additional funds into the company and is planning to liquidate investments in non-operational fixed assets which will further result in an inflow of additional Rs. 4-5 crores into the company.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

PRG International Electricals Private Limited was established as a partnership firm in 1995 and later converted into a private limited company with effect from April 1, 2007. The company was set up by Mr. Prem Chand Goel, who was engaged into electrical stamping and lamination business from 1978. Later, the company was inherited by Mr. Rajeev Goyal, son of Prem Chand Goel. The unit was set up in New Delhi as a manufacturing and trading concern and is engaged in the manufacturing of electrical stamping & laminations die cast rotor, wound stator, covers top and bottom, its parts and other domestic appliances.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	313.44	303.81	87.37
PBILDT	25.14	16.24	NA
PAT	4.72	-3.66	3.06
Overall gearing (times)	2.06	2.13	NA
Interest coverage (times)	2.01	1.23	NA

A: Audited UA: Unaudited; NA: Not Available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Brickwork has placed the rating assigned to the bank facilities of PRG International Electricals Private Limited into Issuer Not Cooperating category vide their press release dated February 08, 2024, on account of their inability to carry out a review in the absence of requisite information.

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2028	39.00	CARE BB; Stable
Fund-based - LT-Working Capital Limits		-	-	-	36.00	CARE BB; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (27-Apr-22)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (11-Nov-21)
2	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (27-Apr-22)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (11-Nov-21)
3	Fund-based - ST-Others	ST	-	-	-	-	1)Withdrawn (27-Apr-22)	1)CARE A4; ISSUER NOT COOPERATING* (11-Nov-21)
4	Non-fund-based - ST-BG/LC	ST	-	-	-	-	1)Withdrawn (27-Apr-22)	1)CARE A4; ISSUER NOT COOPERATING* (11-Nov-21)
5	Fund-based - LT-Working Capital Limits	LT	36.00	CARE BB; Stable	-	1)CARE BB; Stable (01-Nov-23)	-	-
6	Fund-based - LT-Term Loan	LT	39.00	CARE BB; Stable	-	1)CARE BB; Stable (01-Nov-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term;

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

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in	Analytical Contacts Sajan Goyal Director CARE Ratings Limited Phone: +91- 120 - 4452000 E-mail: sajan.goyal@careedge.in Rajan Sukhija Assistant Director CARE Ratings Limited Phone: +91- 120 - 4452000 E-mail: Rajan.Sukhija@careedge.in Abhay Wanchoo Rating Analyst CARE Ratings Limited E-mail: Abhay.Wanchoo@careedge.in
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About us:

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