Prime Steel Processors Private Limited

December 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	172.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BBB; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	3.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Downgraded from CARE BBB; Stable / CARE A3 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Prime Steel Processors Private Limited (PSPPL) to monitor the ratings vide email communications/letters dated November 19, 2024, November 18, 2024, and October 24, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which, however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on PSPPL's bank facilities will now be denoted as CARE BB+; Stable; ISSUER NOT COOPERATING / CARE A4+; ISSUER NOT COOPERATING. The ratings have been revised on account of non-availability of requisite information due to non-cooperation by PSPPL. CARE views information availability risk as a key factor in its assessment of credit risk.

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

Analytical approach: Standalone

Outlook: Stable

The "Stable" outlook assigned to the bank facilities of PSPPL takes into account capabilities of the management due to its long track record of operations to mitigate the inherent risk pertaining to raw material fluctuations.

Detailed description of the key rating drivers:

At the time of last rating on November 06, 2023, the following were the rating strengths and weaknesses (Updated for information available):

Key strengths

Experienced promoters with long track record of operations.

PSPPL was incorporated in April 2023 with the objective to takeover of ongoing business of partnership firm on going concern basis which is engaged in the business of manufacturing of steel billets/wire rod. The partners of the erstwhile firm were Mr. Dewaker Jain, Mr. Aman Singal & Mr. Lokesh Jain who are now directors holding same proportion of equity shares as they were sharing profits in erstwhile firm. Mr. Dewaker Jain has an experience of more than two decades in the steel industry through his association with TK Steel Rolling Mills Private Limited and erstwhile firm. Mr. Aman Singal and Mr Lokesh Jain also has an experience of more than two decades through his association with Eastman International (CARE BBB+; Stable/CARE A2 engaged in merchant trading of diversified products) and TK Steel Rolling Mills Private Limited. The directors of the company are supported by a team of professionals who are highly experienced in their respective domains.

Established business relationship with diversified clientele coupled with diversified segment of operations

Over the period, PSPPL has established relationship with diversified customer base. During FY23, top ten buyers comprise 67.46% of revenue from operations of entity which was 51.20% during FY22. However, company supplies steel ingots to its group company's which comprises almost 38% of the total revenue from operations. Furthermore, company also operates two solar

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

plants in Bhopal having capacity of 8MW and 9MW which has achieved its commercial operation in July 2020 and Feb 2022 respectively. Being initial years of operations and higher depreciation of 60% is being charged on the assets allocated to solar plant both the plants are sustaining losses at net level but with high cash profits which will improve going forward with the reduction in quantum of depreciation. However, company is generating sufficient cash profitability so as to meet its debt obligations as reflected by GCA (before taxes) of Rs. 11.27 crores for FY23 (PY: Rs. 6.51 crores) from the solar plant. As on March 31,2023, debt pertaining to solar plant stands at Rs. 37.84 crores having annual repayment of around Rs 7-8 crores only which clearly indicates cash flow of solar plant is sufficient enough to serve debt pertaining to this segment.

Moderate financial risk profile

The company's scale of operations remains moderate and TOI stand at Rs. 751.48 crore during FY24 (Audited, refers to the period April 01 to March 31), as compared to Rs. 815.59 crore during FY23 (Audited, refers to the period April 01 to March 31), reflecting de-growth of 7.86%. The PBILDT margins of the company remain moderate during FY24 as reflected by PBILDT margin of 5.11% (PY: 5.99%) though the PAT margins improved from 1.84% in FY23 to 3.51% in FY24. Interest coverage indicator moderated during FY24, stands at 5.79 times in FY24 as against interest coverage ratio of 9.02 times during FY23.

Moderate Capital Structure

The capital structure of the company remains moderate with deterioration during FY24 reflected by long term debt equity ratio and overall gearing ratio of 1.00x and 1.38x respectively as at March 31,2024, as compared to 0.73x and 1.04x respectively as at March 31,2023. The deterioration was mainly on account of increase in total debt levels from Rs. 79.02 crores in FY23 to Rs. 138.15 crores in FY24.

Efficient working capital management.

The operating cycle of the company stands small at 33 days in FY24 which is slightly elongated from 30 days in FY23, this deterioration was majorly due to slight reduction in average creditors days from 14 days in FY23 to 12 days in FY24. Average Collection period stands at 16 days in FY23 (PY: 16 days) and average inventory period stands at 28 days (PY: 28 days)

Key weaknesses

Project execution and stabilisation risk associated with ongoing project.

The company has ongoing project of around Rs 200.45 crores to be concluded in two phases, first involving total cost of Rs 30.06 crores and Rs 170.39 crores in second phase. The first phase is already completed during FY23 funded entirely through internal accruals wherein the company has setup continuous casting machines having better yield and quality coupled with 1.50 MW solar power plant for captive consumption. The second phase of the project wherein company is adding two 30 tonnes capacity furnaces and a new rolling mill with the total cost of Rs 170.39 crores proposed to be funded through term loan of Rs 90 crores which will be repayable in 96 months from the date of disbursement including moratorium of 24 months, while remaining project will be funded through internal accruals. This will increase capacity of company to almost 3,50,000 MTPA from existing capacity of 1,12,000 MTPA coupled with increase in multiple variety, size and quality of existing products so as to cater new markets while company is currently catering Ludhiana and nearby areas. Company is planning to expend its market in Delhi NCR, Uttar Pradesh, Rajasthan etc and also plans to cater overseas market with the view to supply additional products manufactured after completion of ongoing project. Company has already expended Rs ~40 crores in this project vide availing term loan of Rs 15 crores till September 2023. Major Proportion of the project is likely to be completed by end of current financial year and impact of same will start coming from FY25 onwards. However, marketability and demand of the company's large chunk of production will be key rating monitorable.

Raw material and currency fluctuation risk.

Prices of metal scrap being major raw material of the company are highly volatile in nature and are driven by the demand supply scenario prevailing on a particular day and also by the global prices. Further, the company is experiencing high fluctuation in the prices of scrap, which is affecting the profitability margins of the company. However, the price fluctuation risk is mitigated to certain extent as the company have back-to-back order arrangement where company places order with suppliers upon receipt of order from its customers. Further, company has increased its import proportion to ~30% in current financial year from ~10% in preceding financial year and imported material has lead time of around 3 months which exposes company to both raw material and currency fluctuation risk which is also not fully hedged. Although, company sometimes purchases USD futures through exchange of the dates when they are supposed to pay to its suppliers. However, in absence complete hedging mechanism the company is exposed to currency fluctuation risk.

Highly fragmented and cyclic nature of industry.
The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. Apart from the demand side fluctuations, the highly capital-intensive nature of steel projects along-with the inordinate delays in the completion hinders the responsiveness of supply side to demand movements. This results in several steel projects bunching-up and coming on stream simultaneously leading to demand supply mismatch. The products manufactured by firm find applications in the automobile sector which is also very cyclical in nature. This inherent cyclicality in these industries directly expose companies cash flows and profitability to fluctuation risk.

Liquidity: Adequate

The company has earned Gross Cash Accruals (GCA) of Rs 33.40 crores during FY24 and having repayment obligations of close to ~Rs. 12.76 crores as on March 31, 2024, as per balance sheet. The current and quick ratio stood at a moderate level of 1.25x and 0.49x, as on March 31, 2024, as compared with 1.64x and 0.83x as on March 31, 2023. Furthermore, the operating cycle of the company also remains comfortable at 33 days during FY24 (PY: 30 days). Due to lower operating cycle during FY23, company's average working capital utilisation remains low at 22.41% during the last 12 months ending July 2023.

Applicable criteria

Policy on Default Recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Policy in respect of non-cooperation by issuers
Short Term Instruments
Manufacturing Companies
Iron & Steel
Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

Initially incorporated in 2005 as a partnership firm "Prime Steel Processors" having 3 partners Aman Singal (50%), Dewaker Jain (25%) & Lokesh Jain (25%). M/s Prime Steel Processors P Ltd (PSPPL) was incorporated in April 20,2023, with the objective to takeover on-going business of erstwhile firm on going concern basis (Financials presented is of firm till FY23 and from FY24 onwards of company). The company is engaged in manufacturing of wire rod/round and ingot/billet with installed manufacturing capacity of 1,12,000 MTPA, as on March 31, 2023, at its sole manufacturing facility situated at Ludhiana, Punjab.
The main raw material of PSPPL is scrap, which is procured from suppliers located in Punjab, Delhi, Uttar Pradesh etc. The firm also imports raw material from Dubai and Singapore, however, proportion of same is very small till FY23 and now it has increased to around 30% in current financial year. The products manufactured by PSP are ultimately utilized in auto components and cycle parts industry (end-users).
The firm has set up two solar power plant at Bhopal and nearby areas with power generation capacity of 8MW and 9MW respectively which has achieved its commercial operation in July 2020 and Feb 2022 respectively. Electricity produced are sold on Indian Electricity Exchange (IEX) through Manikaran Power Limited (CARE BBB+; Stable/ CARE A2 reaffirmed on January 10,2024). Company bills daily based on prevalent prices and receive payments accordingly.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	632.04	815.59	751.48
PBILDT	53.40	48.83	38.39
PAT	23.89	15.00	26.39
Overall gearing (times)	1.59	1.04	1.38
Interest coverage (times)	12.44	9.02	5.79

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	42.32	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March 2033	129.68	CARE BB+; Stable; ISSUER NOT COOPERATING*
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	3.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for 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	129.68	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (06-Nov-23)	-	-
2	Fund-based - LT-Cash Credit	LT	42.32	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (06-Nov-23)	-	-
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	3.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable / CARE A3 (06-Nov-23)	-	-

*Issuer did not cooperate; based on best available information.
LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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