

Prabodh Steel Private Limited

March 19, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|--|------------------|--|--|
| Long Term Bank Facilities | 19.53 | CARE BB; Stable; ISSUER NOT COOPERATING* | Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category |
| Long Term / Short Term Bank Facilities | 18.75 | CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* | Downgraded from CARE BB+; Stable / CARE A4+ 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 Prabodh Steel Private Limited (PSPL) to monitor the rating vide e-mail communications dated March 12, 2025, March 10, 2025, March 07, 2025, March 04, 2025, February 28, 2025, February 25, 2025, February 24, 2025, February 19, 2025, February 13, 2025, February 10, 2025, January 31, 2025, January 28, 2025, January 22, 2025, January 17, 2025, January 10, 2025 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating.

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 PSPL's bank facilities will now be denoted as '**CARE BB; Stable/ CARE A4; ISSUER NOT COOPERATING***'.

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

The ratings have been revised on account of non-availability of requisite information to conduct the review. The ratings assigned to the bank facilities of PSPL continue to remain constrained on account of its thin profitability, highly leveraged capital structure and stretched liquidity. The ratings are also constrained due to susceptibility of profitability to price fluctuation in steel prices and presence in a competitive and cyclical steel industry.

The ratings, however, continue to derive strength from PSPL's experienced promoters, moderate scale of operations as well as moderate debt coverage indicators.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that PSPL shall continue to benefit from the experience of its promoters in the steel industry.

Detailed description of key rating drivers:

Key weaknesses

Highly leveraged capital structure albeit moderate debt coverage indicators

The capital structure of the company marked by overall gearing remained leveraged at 3.69x as on March 31, 2024 (PY: 4.24x). PSPL commenced operations from December 2021 to manufacture mild steel (MS) billets. Major portion of o/s debt was in the form of term loan and unsecured loans from related parties on a modest net worth base of Rs. 13.79 crores as on March 31, 2024. However, debt coverage indicators during FY24 though marginally deteriorated, remained moderate marked by PBILDT interest coverage of 2.51x (PY: 3.19x).

Susceptibility of profitability to steel price fluctuation and foreign exchange rate fluctuation

PSPL is engaged in manufacturing of MS billets. Steel prices are volatile in nature and are governed by international prices and quality of scrap. Cost of materials consumed constituted ~80-85% of PSPL's total cost, thus exposing the company to volatility in steel prices. Furthermore, players in steel business have limited bargaining power. Hence, profitability remains susceptible upon the ability of the players to pass-on increase in steel prices to the customers amongst high degree of competition. Furthermore,

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

PSPL is exposed to foreign exchange fluctuation risk, however the same is partially mitigated by the fact that PSPL is engaged in both import and export which provides natural hedge to that extent while balance portion remains unhedged.

Presence in a competitive and cyclical steel industry

PSPL operates in a highly cyclical steel industry, fortunes of which are dependent on end-use industries like construction and infrastructure. Demand for steel products is highly correlated to these sectors. These key user industries in turn depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates and inflation rates, etc. Further, steel industry is competitive and fragmented in nature with very low entry barriers and presence of large number of unorganized players resulting in intense competition.

Key strengths

Experienced and resourceful promoters

PSPL is promoted by the Shah family that has long-standing experience of over 3 decades in steel industry. The promoters are also associated with Mono Steel (India) Limited which is engaged in manufacturing of sponge iron, billets, and TMT bars. The long-standing experience of the promoters has resulted in achieving high sales volume in the first year of operations, there by mitigating risk of stabilization.

Moderate scale of operations

PSPL was incorporated in July 2020 to undertake manufacturing of MS billets, and it commenced commercial operations from December 2021. During FY24, PSPL registered TOI of Rs.249.48 crore with PBILD margin of 3.62%. Operating profitability was thin due to limited value addition and absence of any integration in the operations.

Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Iron & Steel](#)

About the company and industry

Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|-------------------------|---------------|---------------------|-----------------------|
| Industrials | Capital Goods | Industrial Products | Iron & Steel Products |

Incorporated in July 2020, Prabodh Steel Private Limited (PSPL) is engaged in manufacturing of MS Billets. The company commenced commercial operations from December 26, 2021. The manufacturing plant is located in Bhavnagar, Gujarat and has an installed capacity of 54,000 metric tonnes per annum (MTPA).

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) |
|----------------------------|--------------------|--------------------|
| Total operating income | 274.17 | 249.48 |
| PBILD | 11.68 | 9.03 |
| PAT | 1.33 | 1.41 |
| Overall gearing (times) | 4.24 | 3.69 |
| Interest coverage (times) | 3.19 | 2.51 |

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

Status of non-cooperation with previous CRA: Infomercs has placed the ratings of Prabodh Steel Private Limited under issuer non-cooperation category vide press release dated December 03, 2024, due to its inability to carry out a review in absence of requisite information.

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 | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---------------------------------|------|------------------|-----------------|---------------|-----------------------------|--|
| Fund-based - LT/ ST-Cash Credit | | - | - | - | 18.75 | CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* |
| Term Loan-Long Term | | - | - | 31-03-2029 | 19.53 | CARE BB; Stable; 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/ ST-Cash Credit | LT/ST | 18.75 | CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* | - | 1)CARE BB+; Stable / CARE A4+ (07-Feb-24) | - | - |
| 2 | Term Loan-Long Term | LT | 19.53 | CARE BB; Stable; ISSUER NOT COOPERATING* | - | 1)CARE BB+; Stable (07-Feb-24) | - | - |

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

LT: Long term; ST: Short 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/ ST-Cash Credit | Simple |
| 2 | Term Loan-Long Term | 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.

Contact us

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About us:

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Disclaimer:

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