

**P P Rolling Mills Manufacturing Company Private Limited**

February 03, 2020

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term/ Short-term bank facilities	40.00	<b>CARE BB+; Stable/ CARE A4+; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable/ A Four Plus; ISSUER NOT COOPERATING)</b>	<b>Issuer not cooperating; based on best available information</b>
Short-term Bank Facilities	10.00	<b>CARE A4+; ISSUER NOT COOPERATING (A Four Plus; ISSUER NOT COOPERATING)</b>	<b>Issuer not cooperating; based on best available information</b>
<b>Total</b>	<b>50.00 (Rupees Fifty crore only)</b>		

*Details of instruments/facilities in Annexure-1*
**Detailed Rationale & Key Rating Drivers**

CARE has been seeking information from P P Rolling Mills Manufacturing Company Private Limited (PPRM) to monitor the rating(s) vide e-mail communications/letters dated January 20, 2020 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 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. The rating on PPRM's bank facilities will now be denoted as **CARE BB+/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 rating(s).**

*The ratings take into account low profit margins at net level, working capital intensive nature of operations, exposure to risk related to volatility in raw material prices and foreign exchange rates and cyclical nature of steel industry. The ratings, however, draw strength from extensive experience of promoters, its long track record of operations, improving total operating income and average financial risk profile marked by moderate gearing.*

*At the time of last rating on April 03, 2019 the following were the rating strengths and weaknesses (updated from FY19 annual report shared by PPRM)*

**Detailed description of the key rating drivers**
**Key Rating Weaknesses**

**Working capital intensive nature of operations with modest liquidity profile:** The operating cycle of the company stood at 50 days in FY19 (refers to period: April 01 to March 31) (PY: 50 days). PPRM maintained high inventory days of 105 days during FY19 (PY: 101 days) as the company offers customized products to the customers. Average creditor days stood high at 90 days in FY19 (PY: 88 days).

**Exposure to foreign exchange fluctuation risk and fluctuation in raw material prices:** PPRM procures its raw materials domestically whereas a significant portion of the company's revenue is realized in foreign currency exposing it to fluctuation in exchange rates. Also, the prices of raw material of the company are volatile which exposes the profitability margins to the fluctuations in raw material prices.

**Cyclical nature of steel industry:** The steel industry is cyclical with prices driven by demand and supply conditions in the market coupled with strong linkage to the global market. The suppliers of capital goods to steel industry are directly exposed to volatility in the steel industry.

**Key Rating Strengths**

**Experienced promoters with long track record of operations:** The promoter family which controls PPRM has an experience of more than 6 decades in the manufacturing of engineered goods. The company is currently managed by Mr Pankaj Khanna and Mr. Praneet Khanna, each having an experience of more than 15 years. The company is expected to continue benefiting from the vast experience of the promoters which has also helped in establishing relations with the customers resulting in repetitive sales from them.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

\*Issuer did not cooperate; Based on best available information

**Improving total operating income with low profitability:** During FY19, PPRM's total operating income increased by 29%. PBILDT margin deteriorated to 6.76% in FY19 (PY: 9.80%). PAT remained low at Rs 2.34 crore in FY19 (PY: Rs 0.55 crore).

**Moderate financial risk profile:** The overall gearing improved and stood at 1.21x as on March 31, 2019 (PY: 1.30x). The debt servicing indicators marked by total debt to GCA and interest coverage ratio also improved to 3.14x and 3.62x respectively during FY18 (PY: 3.55x and 2.84x respectively)

**Liquidity** – Latest information not available

**Analytical approach:** Standalone

**Applicable Criteria**

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

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Rating Methodology-Manufacturing Companies](#)

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

[Rating methodology – Short term instruments](#)

### About the Company

PPRM was established in 1985 by Mr Prem Khanna and his son Mr Pankaj Khanna as a partnership firm in the name of P.P. Engineering Works, for manufacturing and erection of steel rolling mills. In 1998, the firm was converted into a private limited company and named as P. P. Rolling Mills Manufacturing Co. Pvt. Ltd. PPRM is engaged in undertaking manufacturing of equipment for rolling and wire rod mills and erection and commissioning of the same with its manufacturing facilities located at Faridabad.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	142.06	183.04
PBILDT	9.66	12.37
PAT	0.55	2.34
Overall gearing (times)	1.30	1.21
Interest coverage (times)	2.84	3.62

A: Audited

**Status of non-cooperation with previous CRA:** NA

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

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

### 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 - ST-EPC/PSC	-	-	-	10.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - LT/ST-BG/LC	-	-	-	40.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (05-Apr-18)	-	1)CARE BB+; Stable (01-Mar-17)
2.	Fund-based - ST-EPC/PSC	ST	10.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE A4+ (03-Apr-19)	1)CARE A4+ (05-Apr-18)	-	1)CARE A4+ (01-Mar-17)
3.	Non-fund-based - LT/ST-BG/LC	LT/ST	40.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE BB+; Stable / CARE A4+ (03-Apr-19)	1)CARE BB+; Stable / CARE A4+ (05-Apr-18)	-	1)CARE BB+; Stable / CARE A4+ (01-Mar-17)

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

## Annexure-3 – NA

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

### Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

### Analyst Contact

Ajay Dhaka

Contact no. - +91-11-45333218

Email ID- ajay.dhaka@careratings.com

### Business Development Contact

Ms. Swati Agarwal

Contact no. : +91-11-45333200

Email ID: swati.agarwal@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.