

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

April 03, 2019

**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+ (Double B Plus; Outlook: Stable/ A Four Plus)</b>	<b>Reaffirmed</b>
Short-term Bank Facilities	10.00	<b>CARE A4+ (A Four Plus)</b>	<b>Reaffirmed</b>
<b>Total</b>	<b>50.00 (Rupees Fifty crore only)</b>		

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

The ratings assigned to the bank facilities of P. P. Rolling Mills Manufacturing Company Private Limited (PPRM) continue to remain constraint by 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, healthy order book position and improving total operating income and average financial risk profile marked by moderate gearing.

Going forward, the company's ability to further improve its operational performance on back of timely delivery of orders within estimated cost while effectively managing its working capital requirements will be key rating sensitivities.

**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 FY18 (refers to period: April 01 to March 31) (PY: 59 days). PPRM maintained high inventory days of 101 days during FY18 (PY: 107 days) as the company offers customized products to the customers. Average creditor days stood high at 88 days in FY18 (PY: 85 days). However, the company's average working capital utilization for the trailing 12 months ended December, 2018 remained moderate.

**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.

**Healthy order book position with diversified customer base:** PPRM has a diversified customer base in the Indian subcontinent as well as in Middle East Asia and North Africa. The company had a healthy order book of Rs. 202.62 cr as on February 01, 2019 (1.42x of the total sales in FY18), to be executed over the next one year (As on March 22, 2018 order book was of Rs 204.47 crore).

**Improving total operating income albeit low PAT margin:** During FY18, PPRM's total operating income increased by 9.60% on account of the execution of orders in time and improved domestic market scenario. However, due to increase in raw material prices and employee cost, the PBILDT margin deteriorated to 6.80% in FY18 (PY: 9.36%). PAT remained low at Rs 0.55 crore in FY18 (PY: Rs 2.50 crore). The company further reported a total operating income of Rs. 138.28 cr and PBILDT of Rs. 8.12 cr during 10MFY18 (refers to the period April 1 to January 31).

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

**Moderate financial risk profile:** The overall gearing improved on account repayment of term loans and stood at 1.39x as on March 31, 2018 (PY: 2.05x). The debt servicing indicators marked by total debt to GCA and interest coverage ratio also improved to 3.79x and 2.84x respectively during FY18 (PY: 4.26x and 2.71x respectively) due to decrease in term debt.

**Analytical approach:** Standalone

#### Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

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

[Rating Methodology- Steel Companies](#)

#### 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)	FY17 (A)	FY18 (A)
Total operating income	129.63	142.06
PBILDT	12.13	9.66
PAT	2.50	0.55
Overall gearing (times)	2.05	1.39
Interest coverage (times)	2.71	2.84

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**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.

#### Analyst Contact

Name: Mr Ajay Dhaka

Tel: 011-45333218

Mobile: +91 88268 68795

Email: [ajay.dhaka@careratings.com](mailto:ajay.dhaka@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 credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

**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+
Non-fund-based - LT/ ST-BG/LC	-	-	-	40.00	CARE BB+; Stable / CARE A4+

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (05-Apr-18)	-	1)CARE BB+; Stable (01-Mar-17)	1)CARE BB+ (18-Dec-15) 2)Suspended (06-Apr-15)
2.	Fund-based - ST-EPC/PSC	ST	10.00	CARE A4+	1)CARE A4+ (05-Apr-18)	-	1)CARE A4+ (01-Mar-17)	1)CARE A4+ (18-Dec-15) 2)Suspended (06-Apr-15)
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	40.00	CARE BB+; Stable / CARE A4+	1)CARE BB+; Stable / CARE A4+ (05-Apr-18)	-	1)CARE BB+; Stable / CARE A4+ (01-Mar-17)	1)CARE BB+ / CARE A4+ (18-Dec-15) 2)Suspended (06-Apr-15)

**CONTACT****Head Office Mumbai**

**Ms. Meenal Sikchi**  
Cell: + 91 98190 09839  
E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)

**Mr. Ankur Sachdeva**  
Cell: + 91 98196 98985  
E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

**Ms. Rashmi Narvankar**  
Cell: + 91 99675 70636  
E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)

**Mr. Saikat Roy**  
Cell: + 91 98209 98779  
E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)

**CARE Ratings Limited**

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)

**AHMEDABAD**

**Mr. Deepak Prajapati**  
32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015  
Cell: +91-9099028864  
Tel: +91-79-4026 5656  
E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)

**JAIPUR**

**Mr. Nikhil Soni**  
304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.  
Cell: +91 – 95490 33222  
Tel: +91-141-402 0213 / 14  
E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)

**BENGALURU**

**Mr. V Pradeep Kumar**  
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.  
Cell: +91 98407 54521  
Tel: +91-80-4115 0445, 4165 4529  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**KOLKATA**

**Ms. Priti Agarwal**  
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.  
Cell: +91-98319 67110  
Tel: +91-33- 4018 1600  
E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)

**CHANDIGARH**

**Mr. Anand Jha**  
SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh  
Cell: +91 85111-53511/99251-42264  
Tel: +91- 0172-490-4000/01  
Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)

**NEW DELHI**

**Ms. Swati Agrawal**  
13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.  
Cell: +91-98117 45677  
Tel: +91-11-4533 3200  
E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)

**CHENNAI**

**Mr. V Pradeep Kumar**  
Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.  
Cell: +91 98407 54521  
Tel: +91-44-2849 7812 / 0811  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**PUNE**

**Mr. Pratim Banerjee**  
9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.  
Cell: +91-98361 07331  
Tel: +91-20- 4000 9000  
E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

**COIMBATORE**

**Mr. V Pradeep Kumar**  
T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.  
Tel: +91-422-4332399 / 4502399  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

CIN - L67190MH1993PLC071691

**HYDERABAD**

**Mr. Ramesh Bob**  
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.  
Cell : + 91 90520 00521  
Tel: +91-40-4010 2030  
E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)