

Propus Designs and Displays Private Limited

March 04, 2019

Rating			
Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	15.00	CARE B+; Stable (Single B Plus; Outlook: Stable)	Assigned
Total facilities	15.00 (Rupees Fifteen crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Propus Designs and Displays Private Limited (PDDPL) is constrained by nascent stage of operations with eroded tangible net-worth base, weak profitability position with susceptibility of profit margins to volatile raw material prices, project execution, funding & stabilization risk inherent to new factory setup, and presence in competitive & fragmented industry.

The rating, however, derives strength from the established track record of the Propus Group coupled with highly experienced promoters in manufacturing of metal products.

The ability of the company to execute the project within the envisaged time & cost framework and subsequent stabilization of the same would be critical from the credit perspective.

Detailed description of the key rating drivers

Key Rating Weaknesses

Nascent stage of operations with eroded tangible net-worth base: The operations of PDDPL are nascent in stage, since the company was established only in May 2016, whereas it has been undertaking only consultancy services on a very miniscule scale since then. Given this, coupled with the net losses posted led by nascent stage of operations, the tangible net-worth base stood eroded as on March 31, 2018.

Weak profitability with susceptibility of profit margins to volatile raw material prices: During FY18, given the nascent stage of operations, the company posted an operating loss of Rs.0.05 crore and a net loss of Rs.0.05 crore (vis-à-vis an operating loss and a net loss of Rs.0.04 crore and Rs.0.04 crore respectively in FY17). Moreover, given the primary raw materials being various types of steel, the profit margins are expected to remain susceptible to the volatility in the same.

Project execution, funding & stabilization risk inherent to new factory setup: PDDPL is proposing to set up a new factory in Alwar, Rajasthan, to manufacture telecom panels, chimneys and meta racks. The said project is estimated to cost Rs.23.75 crore, to be primarily funded by way of term loan from bank/financial institution (FI), unsecured loans and equity share capital. The company is exposed to significant project execution & funding risk, since it has incurred only 9.09% of the total project cost as on February 26, 2019 towards the purchase of land as an advance payment. Further, term loan from bank/FI is also yet to be tied up for the remaining unexecuted part of the project. Moreover, the company is also exposed to stabilization risk with regard to subsequent timely stabilization & commencement of the operations after the commissioning of the project which is expected to be commissioned by September 2020.

Presence in competitive & fragmented industry: PDDPL operates in a highly competitive & fragmented industry with a number of players engaged in manufacturing of telecom panels, chimneys and metal racks. Moreover, the presence of reputed clientele in the aforementioned segments intensify the already prevailing competition in the industry which may further puts pressure on profit margins of the company and may also limits the bargaining power with its customers.

Key Rating Strengths

Established track record of the group in manufacturing of metal products: Propus Group, apart from PDDPL, comprises Propus Inc, a partnership firm, as well as P3P Productions Private Limited (P3P). Propus Inc, established in 2014, is engaged in manufacturing of telecom panels, chimneys and metal racks. On the other hand, P3P, incorporated in 2011, is engaged in manufacturing of stainless steel (SS) table, metal display stands, restaurant tables, phone metal display stands, and undertaking job-work of SS laser cutting, press brake bending and machine works.

Highly experienced promoters in manufacturing of metal products: The overall operations of PDDPL are looked after by the promoters – Mr. Manan Bansal along with his friend's wife Mrs. Niddhi Mittal, who possess a total experience of over 7 years in the field of manufacturing of metal products.

Liquidity Analysis

As on March 31, 2018, the company owns a cash & bank balance worth Rs.0.01 crore, whereas the current ratio and quick ratio stood low at 0.12 times as on March 31, 2018 (vis-à-vis 0.19 times as on March 31, 2017).

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Analytical Approach: Standalone

Applicable Criteria

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

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

[CARE's Methodology for Manufacturing Companies](#)

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

About the Company

Incorporated in May 2016 by Mr. Manan Bansal and Mrs. Niddhi Mittal, Propus Designs and Displays Private Limited (PDDPL) is engaged in providing consultancy services in the field of manufacturing of telecom panels, chimneys and metal racks for warehousing. However, the company has planned to come up with a new factory for manufacturing of telecom panels, chimneys and metal racks. The said factory is proposed to be set up at RIICO (Rajasthan State Industrial Development and Industrial Corporation) Industrial Area in Alwar, Rajasthan.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	0.05	0.08
PBILD	-0.03	-0.04
PAT	-0.03	-0.04
Overall gearing (times)	0.00	0.00
Interest coverage (times)	NM	NM

A: Audited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for 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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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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 - LT-Term Loan	-	-	March, 2028*	15.00	CARE B+; Stable

*Proposed.

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	15.00	CARE B+; Stable	-	-	-	-

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