



## Press Release

### Pristine Commercials Private Limited

December 13, 2023

#### Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities/ Short Term Bank Facilities	30.00*	IVR BBB-/ Stable & IVR A3 [IVR Triple B Minus with Stable Outlook & IVR A Three]	Reaffirmed	Simple
<b>Total</b>	<b>30.00*</b> <b>(Rupees Thirty Crores Only)</b>			

\*Cash Credit of Rs. 15.00 crore is a sub-limit of Letter of Credit

\* Bank Guarantee of Rs.5.00 crore is a sub-limit of Letter of Credit

\* Forward Contract of Rs.0.60 crore is a sub-limit of Letter of Credit

#### Details of Facilities are in Annexure 1

#### Detailed Rationale:

The reaffirmation in the ratings assigned to the bank loan facilities of Pristine Commercials Private Limited (PCPL) derives strength from extensive experience of the promoters in the trading business and a comfortable financial risk profile of the company. The ratings also draw strength from established relationships with reputed customers which has enabled them to get repeat orders. These strengths are partially offset by susceptibility to volatility in raw material prices and working capital intensive nature of operations. The ratings are further constrained by the competition faced by the company from other organised and unorganised players from the industry.

#### Key Rating Sensitivities:

#### Upward Factors:

- Substantial increase in revenues, profitability, and cash accrual, thereby further improving debt protection metrics.
- Steady improvement and sustenance in Gross Current Asset (GCA) days, thereby improving financial risk profile of the company.

#### Downward Factors:



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- Deterioration in working capital cycle and liquidity profile of the company.
- Substantial decline in profitability impacting debt protection metrics and liquidity.

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths**

##### **Experienced Promoters**

The company benefits from the experience of the promoters of more than three decades which has enabled a strong understanding of the market dynamics which is expected to continue to support the business risk profile. The promoters have developed a longstanding and strong relationship with the suppliers which has helped them in developing an order backed inventory system with no delays in the supplies.

##### **Well established relationship with customers and suppliers**

The company has established strong relationships with reputed customers as well as suppliers such as JSW Steel & Jindal Steel. This has helped the company diversify its product offerings, enabling them to cater to a wider range of customers. Additionally, they receive repeat orders from existing customers and maintain regular supplies from their suppliers.

##### **Comfortable financial risk profile**

Financial risk profile of the firm is comfortable, with a net worth of Rs 39.69 crore and comfortable capital structure reflected in gearing and total outside liabilities to Tangible net worth ratios of 0.50x and 0.96x respectively as on March 31, 2023. Debt protection metrics were comfortable with interest coverage and DSCR ratios of 6.64x and 5.77x, respectively, in FY23. The financial risk profile is expected to remain comfortable with steady accretion to reserve, stable working capital cycle and the absence of any major debt-funded capex.

#### **Key Rating Weaknesses:**

##### **Exposure to intense competition in steel trading industry**

The iron and steel trading industry in India is dominated by a large number of unorganized players catering to local demand. These players primarily cater to regional demand to save on the high transportation cost, as price is the main differentiating factor. Because of the intense industry competition, the operating margins of players have been low; PCPL's operating margin ranged between 4.48% and 5.88 % in the past years till 2022 however improved in FY23 to 8.05% with better realizations on its products.



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### **Volatile revenue and volatile operating margins**

PCPL revenue remained volatile as PCPL registered growth of 64% during FY23 with revenue of Rs.199crore (Rs.121 crore), after registering declining of 22% during FY22 as compared to previous year. EBITDA margins also remained volatile and in the range of 6.21%-8.05% during FY21-FY23. As per management revenue as well as profitability is depends upon the orders and prices of the raw materials.

### **Working capital intensive operations**

Operations are working capital intensive with Gross current asset (GCA) days of 135 days as on March 31, 2023, driven by debtors of 41 days and inventory of 8 days. Operations are expected to remain moderately working capital intensive with GCAs ranging between 71-107 days over the medium term. The firm meets its working capital requirements partially through unsecured loans from partners and partially through bank borrowings.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Criteria for assigning rating outlook](#)

[Rating Methodology for Trading Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

### **Liquidity: Adequate**

The liquidity position of the company though improved has remained adequate in FY23 as marked by its gross cash accrual of Rs. 11.54 crore in FY23 as against Rs. 5.45 crore in FY22. The average utilization of the company stands at 42.41% for a period of November 22 to October 23. The current ratio remains comfortable at 2.43x as on March 31, 2023. The unutilized bank lines and promoter's support in terms of unsecured loans provide additional liquidity cushion.

### **About the Company:**

Pristine Commercials Private Limited (PCPL) was incorporated in 2007 and is involved in the business of trading of steel products viz. flat products like gal valume coils, hot-rolled coils/sheets, cold-rolled coils/sheets and long products like TMT bars, mild steel beams, stainless steel pipes etc.



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**Financials: Standalone**

(INR Crore)

For the year ended/ As On	31-03-2022	31-03-2023
	<b>(Audited)</b>	<b>(Audited)</b>
Total Operating Income	121.58	199.29
EBITDA	7.14	16.05
PAT	5.34	11.38
Total Debt	3.92	19.77
Tangible Net-worth*	28.29	39.69
<b>Ratios</b>		
EBITDA Margin (%)	5.88	8.05
PAT Margin (%)	4.35	5.65
Overall Gearing Ratio* (x)	0.14	0.50

\* Classification as per Infomerics' standards

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

ICRA Ratings vide its press release dated 24th July 2023 has retained the Long-Term and Short-Term rating of Pristine Commercials Private Limited in the 'Issuer Not Cooperating' category. The issuer did not participate in the rating exercise despite continuous requests and follow-ups by the agency.

CRISIL Ratings vide its press release dated 23<sup>rd</sup> December 2022 has revised the Long-Term and Short-Term rating of Pristine Commercials Private Limited in the 'Issuer Not Cooperating' category. The issuer did not participate in the rating exercise despite continuous requests and follow-ups by the agency.

**Any other information: Not Applicable**



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Rating History for last three years:

(INR Crore)

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding	Rating	Date(s) & Rating(s) assigned in 22-23 (20 <sup>th</sup> October 2023)	Date(s) & Rating(s) assigned in 21-22	Date(s) & Rating(s) assigned in 20-21
1	Long Term Bank Facilities/ Short Term Bank Facilities	Long term/ Short term	30.00	IVR BBB-/ Stable & IVR A3 [IVR Triple B Minus with Stable Outlook & IVR A Three]	IVR BBB-/ Stable & IVR A3 [IVR Triple B Minus with Stable Outlook & IVR A Three]	--	--

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities:

(INR Crore)					
Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility	Rating Assigned/ Outlook
Long Term Bank Facilities/ Short Term Bank Facilities	--	--	--	30.00	IVR BBB-/ Stable & IVR A3

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### Annexure 2: List of companies considered for consolidated analysis: Not Applicable

### Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-pristine-dec23.pdf>

### Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).