Press Release

Prompt Enterprises Private Limited

December 12, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	535.06	IVR BBB+/ Stable (IVR Triple B Plus; with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	20.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Total	**555.06**	**Rupees Five Hundred Fifty Five Crores and Six Lakhs Only**		

Details of Facilities are in Annexure 1

Detailed Rationale

Informerics Valuation and Rating Private Limited (IVR) has assigned long term rating of IVR BBB+ with a Stable outlook and short-term rating of IVR A3+ for the bank loan facilities of Prompt Enterprises Private Limited (PEPL).

The rating draws comfort from the established track record of operations and experienced management, diversified product portfolio and geographical presence, long association with suppliers and customers and improved financial risk profile and debt protection metrics. However, these strengths are partially offset by moderate capital structure, decline in profitability margins, working capital intensive nature of operations, and susceptibility of profitability to raw material prices volatility.

The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. IVR believes PEPL’s will continue to benefit from its operational track record in the business, its reputed clientele and regular inflow of orders. The company performance has improved in FY2022 as compared to FY2021. The consumption of steel is poised to record an upward trajectory because of the inexorable process of economic growth and structural transformation.

IVR has principally relied on the standalone audited financial results of PEPL upto 31 March 2022, H1FY23 provisional and projected financials for FY2023, FY2024 and FY2025, and publicly available information/ clarifications provided by the company’s management.

Ongoing Capex: PEPL is in the process of expansion in its existing Unit-3, Dhatir, Palwal, Haryana for setting up a new Continuous Galvanizing Line (CGL) with a total capacity of 1,20,00 MTPA, new Colour Coating Line (CCL) with a total capacity of 1,20,000 MTPA and expansion of existing Cold Roll Mill (CRM) by 2,40,000 MTPA. The CGL will be operational from February 2023, CCL will be operational from June 2023 and CRM will be operational from December 2022. The company are replacing the diesel generator sets for power backup as per the government requirements with Gas fired generator sets at all three units by end of December 2022. The company has also in process of setting up power substation of 66 KVA for uninterrupted power supply near its Units which will be operational from January 2023 onwards. The total cost of this entire capex plan is Rs. 195.81 crore which will be funded through term loan of Rs. 125 crore and remaining Rs. 70.81 crore through equity infusion/unsecured loans and internal accruals. Substantial work on the expansion is already completed with Rs.156 crore of amount already spent till 30th September 2022. All the work is on track and operations will start in phases between December 2022 to June 2023.

Key Rating Sensitivities:
Upward Factors

- Substantial improvement in the scale of operations and EBITDA margins above 7%
- Improvement in debt protection metrics
- Sustenance of the overall gearing below 1.80x

Downward Factors

- Significant reduction in the scale of operations and profitability margins,
- Deterioration in debt protection metrics and overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management:**
  The company commenced its operations in 2008 and has a successful track record of around 14 years in the existing line of business. Overall activities of PEPL are managed by five directors with Mr. Mukesh Kumar being the Managing Director. He has experience of more than 3 decades in the steel business. He is ably supported by other four directors namely, Mrs. Kamlesh Gupta, Mr. Vishal Garg, Ms. Anubha Garg and Ms. Shivani Rai who have effective experience in existing line of business as well as supported by qualified and well experienced management team.

- **Diversified product portfolio and geographical presence:**
  The company manufactures and sells products like ERW steel pipes, cold roll coils, hot rolled pickled coils etc. Their products are sold in PAN India. There products find applications in various industries like auto components, electrical appliances, white goods, hand tools, infrastructure, furniture etc.

- **Long association with suppliers and customers:**
  It has a long relationship with its supplier such as Tata Steel has ensured a steady supply of raw material at competitive rates. The said suppliers accounted for over 95% of its total raw material requirements. The company has been associated with most of the key customers for a long time and providing quality of products has also helped it in getting repeat orders.

- **Improved debt protection metrics and financial risk profile:**
  In terms of the debt coverage indicators, the interest service coverage ratio (ISCR) and the debt service coverage ratio (DSCR) improved to 4.03x and 1.81x respectively in FY2022 as compared to 3.21x and 1.76x respectively in FY2021. The tangible networth improved to Rs. 162.15 crore in FY2022 from Rs. 115.48 crore in FY2021. The total operating income (TOI) improved by ~86.29% to Rs. 1704.03 crore in FY2022 from Rs. 914.72 crore in FY2021. In H1FY23, TOI improved by 26.76% to Rs. 945.70 crore as compared to Rs. 746.03 crore in H1FY22.

Key Rating Weaknesses

- **Moderate capital structure:**
  Due to regular debt funded capacity expansions projects undertaken by the company, the overall gearing continues to remain moderate at 2.45x in FY2022 as compared to 2.40x in FY2021. Currently also, the company is carrying out a debt funded capex of Rs.195.81 crore, to be funded through a term debt of Rs. 125 crore and remaining Rs. 70.81 crore through equity infusion or internal accruals. Substantial work on expansion is already completed with Rs. 156 crore amounts already spent till September 2022. All the work is on track and operations will start in phases between December 2022 to June 2023.

- **Decline in profitability margins:**
  The company’s operating profit and net profit margins declined to 6.18% and 2.48% respectively in FY2022 as compared to 8.71% and 2.76% respectively in FY2021, due to increase in operating expenses.

- **Working capital intensive nature of operations:**
  PEPL's operations are working capital intensive in nature, supported largely by bank borrowings. The average utilisation of fund based working capital limits of the company stood high around ~78% during the last 12 months ending 31st October 2022.

- **Susceptibility of profitability to raw material price volatility:**
  The company is exposed to volatility in raw material prices. The prices of these raw materials are highly volatile and can lead to volatility in the profitability margins. However, this risk of volatility in prices is partially mitigated by the company's long-standing relations and understanding with clients on the price front and price escalation clauses that work on both sides; in case raw material prices decline, the company passes on the benefit to customers, and in case the prices move upward, the company gets compensated for the same.

Analytical Approach: For arriving at the ratings, IVR has analysed PEPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector)
Criteria for Assigning Rating Outlook

Liquidity – Adequate

The company has an adequate liquidity position. There are long-term secured borrowings from banks, amounting to Rs. 197.61 crore, as on 31st March 2022. Against a current portion of long-term debt (CPLTD) of Rs 24.92 crore in FY2022, the company had a cash accrual of Rs. 63.82 crore in FY2022. The company projected to generate cash accruals of Rs. 86.01 crore in FY2023 against a CPLTD of Rs. 36.87 crore. With the adequate expected cash accruals against repayments, the liquidity position will remain adequate.

About the Company

Prompt Enterprises Private Limited (PEPL) was incorporated in 2008 under the leadership of Mr. Mukesh Kumar and Mrs. Kamlesh Gupta. It is currently managed by directors namely Mr. Mukesh Kumar (Managing Director), Mrs. Kamlesh Gupta, Mr. Vishal Garg, Ms. Anubha Garg and Ms. Shivani Rai. The company is engaged in manufacturing and sale of ERW steel tubes/pipes, Cold rolling coil, Hot roll pickling and Slitting/Cutting. The company has three manufacturing units located at Faridabad (1 unit), Haryana and Palwal (2 units), Haryana. The total installed capacity of ERW Pipes is 95,000 metric tonne per annum (MTPA), Slitting line is 3,70,000 MTPA, Cold rolling coil is 2,40,000 MTPA and Hot roll pickling of 6,15,000 MTPA. The total combined area of three units is 42 acres.It is an ISO certified company.

Financials (Standalone):

(Rs. crore)

For the year ended as on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	914.72	1704.03
EBITDA	79.65	105.23
PAT	25.26	42.34
Total Debt	277.02	397.87
Tangible Networth	115.48	162.15
EBITDA Margin (%)	8.71	6.18
PAT Margin (%)	2.76	2.48
Overall Gearing Ratio (x)	2.40	2.45

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Type of Instrument/Facility	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based	Long Term	535.06	IVR BBB+ /Stable (Assigned)	-	-	-
2.	Non-Fund Based	Short Term	20.00	IVR A3+ (Assigned)			

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange

Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit/WCDL	-	-	-	203.00	IVR BBB+/Stable
Channel Finance	-	-	-	60.00	IVR BBB+/Stable
Term Loan	-	-	September 2023	2.56	IVR BBB+/Stable
Term Loan	-	-	July 2024	3.15	IVR BBB+/Stable
Term Loan	-	-	September 2027	25.00	IVR BBB+/Stable
GECL-TL	-	-	January 2026	17.82	IVR BBB+/Stable

GECL-TL	-	-	February 2026	5.44	IVR BBB+/Stable
GECL-TL	-	-	March 2026	1.69	IVR BBB+/Stable
GECL-TL	-	-	July 2026	7.34	IVR BBB+/Stable
GECL-TL	-	-	March 2027	3.58	IVR BBB+/Stable
Term Loan	-	-	May 2027	66.35	IVR BBB+/Stable
Term Loan/GECL	-	-	March 2028	34.13	IVR BBB+/Stable
Bank Guarantee	-	-	-	2.00	IVR A3+
ILC/FLC	-	-	-	5.00	IVR A3+
LC-Capex*	-	-	-	10.00	IVR A3+
Proposed Cash Credit				45.00	IVR BBB+/Stable
Proposed Term Loan	-	-	-	40.00	IVR BBB+/Stable
Proposed Channel Finance	-	-	-	20.00	IVR BBB+/Stable
Proposed BG	-	-	-	3.00	IVR A3+

*****sub limit if CC

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

Annexure 3: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/Len-Prompt-dec22.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 Complexity Level of Rated Instruments/Facilities.