



## Press Release

### Prompt Enterprises Private Limited

January 16, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Previous Rating	Current Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	635.24	IVR BBB+/ Stable (IVR Triple B Plus; with Stable Outlook)	IVR BBB+/ Stable (IVR Triple B Plus; with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	25.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
<b>Total</b>	<b>660.24</b>	<b>Rupees Six Hundred Sixty Crore and Twenty Four Lakhs only</b>			

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

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

The rating continues to draw comfort from the established track record of operations and experienced management, diversified product portfolio and geographical presence, long association with suppliers and customers and satisfactory financial risk profile. 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 FY2023 as compared to FY2022. 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 2023, H1FY24 provisional and projected financials for FY2024, FY2025 and FY2026, and publicly available information/ clarifications provided by the company's management.

#### Key Rating Sensitivities:



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### Upward Factors

- Substantial improvement in the scale of operations and EBITDA margins above 6.6%
- 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. Their 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 96% 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.
- **Satisfactory financial risk profile:**  
The tangible networth improved to Rs. 198.29 crore in FY2023 from Rs. 162.15 crore in FY2022. The debt coverage indicators, the interest service coverage ratio (ISCR) and the debt service coverage ratio (DSCR) remained comfortable at to 3.41x and 1.38x respectively in FY2023. The total operating income (TOI) improved by ~16.89% to Rs. 1991.90 crore in FY2023 from Rs. 1704.03 crore in FY2022. In 6MFY24, TOI improved by 12.23% to Rs. 1061.38 crore as compared to Rs. 945.70 crore in 6MFY23.



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### Key Rating Weaknesses

- **Moderate capital structure:**

.Due to regular debt funded capacity expansions projects undertaken by the company, the overall gearing continues moderately deteriorated at 2.73x in FY2023 as compared to 2.45x in FY2022. 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. 125.75 crore and remaining Rs. 70.06 crore through internal accruals. Substantial work on expansion is already completed with Rs. 192.81 crore amounts already spent till December 2023. All the work is on track and operations have started in phased manner from December 2022 to September 2023, except Colour Coating Line, which will be installed by March 2024.

- **Decline in profitability margins:**

The company's operating profit and net profit margins declined to 5.28% and 1.90% respectively in FY2023 as compared to 6.18% and 2.48% respectively in FY2022, 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 ~77% during the last 12 months ending 31st October 2023.

- **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](#)



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[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. 205.25 crore, as on 31st March 2023. Against a current portion of long-term debt (CPLTD) of Rs 36.87 crore in FY2023, the company had a cash accrual of Rs. 61.56 crore in FY2023. The company projected to generate cash accruals of Rs. 91.67 crore in FY2024 against a CPLTD of Rs. 39.76 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 4,80,000 MTPA, Hot roll pickling of 4,80,000 MTPA and Continuous Galvanizing Line is 1,20,000 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	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	1704.03	1991.10
EBITDA	105.23	105.22
PAT	42.34	37.79
Total Debt	397.87	540.89
Tangible Networkth	162.15	198.29
EBITDA Margin (%)	6.18	5.28
PAT Margin (%)	2.48	1.90
Overall Gearing Ratio (x)	2.45	2.73

**Status of non-cooperation with previous CRA:** It is under ISSUER NOT COOPERATING category by Brickwork Ratings via press release dated 21<sup>st</sup> December 2023 due to non-submission of information.

**Any other information:** Not Applicable



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### Rating History for last three years:

Sr. No.	Type of Instrument/Facility	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 12 December 2022	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based	Long Term	635.24	IVR BBB+ /Stable (Reaffirmed)	IVR BBB+ /Stable	-	-
2.	Non-Fund Based	Short Term	25.00	IVR A3+ (Reaffirmed)	IVR A3+		

### Name and Contact Details of the Rating Analyst:

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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.

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).

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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:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit/WCDL	-	-	-	258.00	IVR BBB+/Stable
Channel Finance	-	-	-	157.00	IVR BBB+/Stable
Term Loan	-	-	July 2024	1.21	IVR BBB+/Stable
Term Loan	-	-	January 2026	11.27	IVR BBB+/Stable
Term Loan	-	-	February 2026	3.56	IVR BBB+/Stable
Term Loan	-	-	March 2026	1.14	IVR BBB+/Stable
Term Loan	-	-	July 2026	4.65	IVR BBB+/Stable
Term Loan	-	-	March 2027	10.30	IVR BBB+/Stable
Term Loan	-	-	May 2027	50.29	IVR BBB+/Stable
Term Loan	-	-	September 2027	18.33	IVR BBB+/Stable
GECL-TL	-	-	March 2028	24.37	IVR BBB+/Stable
Term Loan	-	-	October 2028	15.80	IVR BBB+/Stable



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Term Loan/GECL	-	-	December 2028	24.32	IVR BBB+/Stable
Proposed Cash Credit				5.00	IVR BBB+/Stable
Proposed Term Loan	-	-	-	50.00	IVR BBB+/Stable
Proposed BG	-	-	-	25.00	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-jan24.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](#).