



## Press Release

**Prime Gold International Limited**  
**25-April-2024**

### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
<b>Proposed Long Term/Short Term Bank Facilities</b>	25.00	<b>IVR BB+/stable/ IVR A4+ (IVR Double B Plus with Stable Outlook/IVR A Four plus)</b>	Assigned	Simple
<b>Total</b>	<b>Rs. 25.00 crore (Rupees Twenty-Five crore only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The ratings assigned to the bank facilities of Prime Gold International Limited (PGIL) derive strength from long track record and experience of promoter in the steel industry, strong revenue growth and moderate profitability, moderate credit metrics. However, the rating strengths are partially offset by exposure to fluctuations in raw material prices, fragmented and commoditized market due to intense competition, exposure to cyclical in iron and steel industry and moderate current ratio.

### Key Rating Sensitivities:

#### Upward Factors

- Significant & sustained increase in scale of operations with improvement in profitability and debt protection metrics.
- Improvement in current ratio.

#### Downward Factors

- Substantial decline in the revenue and profitability leading to sustained decline in the debt protection metrics and/or liquidity profile.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

**Long track record and experienced of promoter in the steel industry.**



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PGIL is engaged in manufacturing wide range of infrastructure/building construction materials of TMT. PGIL is promoted by Mr. Pradeep Aggarwal an Industrialist, having 40 years of experience in the steel industry and Mr. Achin Aggarwal, having 16 years of experience in steel industry. PGIL is ISO 9001:2008 accredited for quality management system. Production units are equipped with latest technology to ensure quality product and the products are available across 11 states.

### **Strong revenue growth and moderate profitability.**

PGIL revenue has grown at CAGR of 30% through FY21-FY23 to Rs.795 crore driven by increase in the sales realization. PGIL profitability margin decreased in FY 23 to 0.93% as compared to 3.44% in FY 22 mainly due to extraordinary income (write back of loan) which was included in PAT for FY 22 amounting Rs 20.49 crore.

The company also plans to enter into power purchase agreements with a solar producer which is likely to enhance the profitability in the medium term.

### **Moderate credit metrics:**

PGIL has improved credit metrics with overall gearing stood at 0.67x as on balance sheet date FY2023 (FY22:1.14x); while TOL/TNW also improved as on FY2023 stood at 2.10x (FY22:2.34x). Credit metrics has improved due to increase in the net worth of a company as on FY 2023 and reduction of total debt as on FY2023. Interest coverage ratio for the PGIL improved to 2.64x as on FY2023 from 1.85x in FY2022.

### **Key Rating Weaknesses**

#### **Exposure to fluctuations in raw material prices**

Since, the raw material is the major cost driver (constituting around 84% of total cost of sales in FY23) and with raw material prices being volatile in nature, the profit margins of the company remain susceptible to fluctuation in raw material prices (though the prices of finished goods move in tandem with raw material prices, there is a time lag). Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.



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### **Fragmented and commoditized market due to intense competition, exposure to cyclicity in iron and steel industry**

The steel product manufacturing business is characterized by intense competition across the value chain due to low product differentiation, and consequent high competition, which limit the pricing flexibility of the players. Steel prices are volatile as it depends on global prices and sentiments of the product consuming sectors. The domestic iron and steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including PGIL. Further, the company's operations are vulnerable to any adverse change in the global demand-supply dynamics.

### **Moderate Current Ratio:**

The current Ratio decreased as on balance sheet date FY 2023 and stood at 0.84x as compared to 1.02x as on FY 2022, mainly on account of increase in creditors.

### **Analytical Approach:** Consolidated

For the purpose of rating, we have considered Consolidated financial statements of Prime Gold International Limited. which includes its subsidiary viz Prime Gold SAIL JVC Ltd. This is because the companies are under control of same promoters and there are financial linkages in terms of equity and investment.

The following is the subsidiary company which have been considered in the Consolidated financials:

S.no	Name of entities	% Share in Subsidiary
1	* Prime Gold SAIL JVC Ltd	74.00%

\* M/S Prime Gold SAIL JVC Ltd is a joint venture between Prime Gold International Limited (PGIL) and Steel Authority of India (SAIL).

### **Applicable Criteria:**

[Criteria of assigning rating outlook](#)

[Rating methodology for Manufacturing companies](#)

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

[Rating-criteria-detail/consolidation-of-companies](#)



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### Liquidity: Adequate

The liquidity of the PGIL remains adequate as evidenced by gross cash accruals of INR 15.61 crore in FY23 against repayment obligations of INR 8.12 crore. Currently PGIL is debt free as on 18 March 2024. PGIL is expected to generate adequate cash accruals during FY24-FY26. The current ratio stood at 0.84x as on March 31, 2023. The cash balance as of March 31, 2023, remained at INR Rs 4.79 crore.

### About the Company

It was established in 1997 by Mr Pradeep Aggarwal. The plant is located at Hosur, Tamil Nadu with capacity of 90,000 MT.

From 2005 started the operation under brand Prime Gold. PGIL has been catering to customer need for TMT bars and steel products to the customers throughout India for over 30 years. Prime Gold Group is a source of varieties of TMT re-bars like Fe-500D, 550X and Prime gold SAIL which are manufactured using an advanced and latest steel making and rolling technology ensuring the strongest constructions.

### About Subsidiary

M/S Prime Gold SAIL JVC Ltd is a joint venture established in 2014 between Prime Gold International Limited (PGIL) with 74% holding and Steel Authority of India (SAIL) with 26% holding. The plant is located at Gwalior, Madhya Pradesh with capacity of 1,00,000 MT.

### Financials (Consolidated):

	(Rs. crore)	
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	613.49	795.00
Total Income	615.61	799.73
EBITDA	14.13	18.13
PAT	21.16	7.40
Total Debt	67.55	44.83
Tangible Net worth	59.11	66.88
<b>Ratios</b>		
EBITDA Margin (%)	2.30	2.28
PAT Margin (%)	3.44	0.93
Overall Gearing Ratio (x)	1.14	0.67



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\*Classification as per Infomerics' standards

### Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	303.72	378.64
Total Income	305.49	382.08
EBITDA	8.84	10.38
PAT	6.69	4.37
Total Debt	27.66	6.47
Tangible Net worth	48.02	53.94
<b>Ratios</b>		
EBITDA Margin (%)	2.91	2.74
PAT Margin (%)	2.19	1.14
Overall Gearing Ratio (x)	0.58	0.12

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years: None

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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



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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Proposed Long Term/Short Term Bank Facilities-	-	-	-	25.00	IVR BB+/stable/IVR A4+

**Annexure 2: List of companies considered for consolidated analysis:** Not applicable.

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-PrimeGold-apr24.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).