

April 17, 2017

PEB Steel Lloyd (India) Limited

Instruments*	Amount Rated (Rs. Cr.)	Rating Action
Cash Credit (SO)	7.0	[ICRA]BBB+(SO) (Stable) (Assigned)
Non Fund Based Limits (SO)	3.0	[ICRA]A2(SO) (Assigned)

*Instrument details are provided in Annexure-1

Rating Action

ICRA has assigned its rating of [ICRA]BBB+(SO) (pronounced ICRA triple B plus structured obligation)¹ on the Rs. 7 Cr. cash credit facility and its rating of [ICRA]A2(SO) (pronounced ICRA A two structured obligation) on the Rs. 3 Cr. non fund based limits of PEB Steel Lloyd (India) Ltd. (PEBSL). The outlook on the long-term rating is ‘Stable’

Rationale

The SO (Structured Obligation) rated facilities are credit enhanced by an unconditional and irrevocable corporate guarantee issued by Lloyd Insulations India Ltd. (LIIL). An SO rating is specific to the rated issue, its terms, and its structure. “SO” ratings do not represent ICRA’s opinion of the standalone credit quality of the issuers concerned.

The rating takes into consideration the corporate guarantee extended by LIIL ([ICRA]BBB+(Stable)/[ICRA]A2) for the entire bank facilities of PEBSL. The above rating addresses the servicing of the bank facilities to happen as per the underlying terms of the sanction letter and the guarantee arrangement. The rating assumes that the guarantee will be duly invoked, as per the terms of the underlying guarantee agreement, in case there is a default in payment by the borrower. The rated instrument does not involve a structured payment mechanism.

Key rating drivers

Credit Strengths

- Corporate guarantee extended by the parent for full bank lines
- Strong position of LIIL in thermal insulation and PEB segments
- Established track record of PEBSL in manufacturing of PEB components

Credit Concerns

- Modest scale of operations
- Intensely competitive PEB market
- Vulnerability of profitability to variations in the prices of key raw materials

Description of key rating drivers highlighted above:

PEBSL continues to benefit from the experience of its parent i.e. LIIL in the business of Pre Engineered Buildings. The credit profile of PEBSL is strengthened on account of unconditional and irrevocable corporate guarantee extended by LIIL for PEBSL’s bank lines. However, the ratings also factor in the modest scale of PEBSL’s operations. Moreover, company’s profitability continues to be vulnerable to increase in prices of key raw materials and competitive pressures.

¹ For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications



Analytical approach

Not Applicable

Links to applicable Criteria

Corporate Credit Ratings: A Note on Methodology

Approach for rating debt instruments backed by third party explicit support

About the Company:

PEB Steel Lloyd (India) Limited is a Joint Venture Agreement between Lloyd Insulations(India) Limited and PEB Steel Asia Limited. The company has a manufacturing facility with annual capacity of 60000 MT per annum of Pre-Engineered Buildings. The factory is located at, Pithampur, Indore and was commissioned in August 2007.

The JV is with “PEB Steel Vietnam”, which specializes in the design, fabrication and erection of pre-engineered steel buildings (PEBs) in Asian countries. PEB Steel, which is owned by the European based PEB group, started in South East Asia in 1994.

Guarantor Profile:

Lloyd Insulations (India) Limited (LIIL) established in 1958 , is a Turnkey Design, Engineer, Contractor and manufacturer of thermal and acoustic insulation products, refractory & Ceramic Fibre linings , pre-engineered & prefabricated buildings, polyurethane & rockwool sandwich Panels and structural fire Proofing with over Six decades of experience. The Company was promoted by Mr N.P. Punj, Mr. C.P. Khanna and Mr. P.P. Munjal to manufacture ceramic fibre insulation products. In 1997, LIIL diversified its area of operations with pioneering in erection of pre-engineered buildings (PEB’s) in India. Presently, company manufactures the above mentioned product(s) at two locations (Pitampur, Dhar District, Madhya Pradesh and Cheyyar Taluk, Thiruvannamalai District, Tamil Nadu).

The Company has executed over 15,000 projects, with approximately 9,000 projects in thermal insulation business. The company has executed these thermal insulation design, supply, application and thermal insulation work for various infrastructure segments like Power Plants, Refinery & Petrochemicals, LNG, Fertilizer, Pulp & Paper, Steel, Cement etc. as well as building industry

Status of non-cooperation with previous CRA: PEBSL was previously rated by CARE. The press release dated 30th December 2016 states the following:

“CARE has suspended, with immediate effect, the ratings assigned to the bank facilities of PEB Steel Lloyd (India) Limited. The ratings have been suspended as the company has not furnished the information required by CARE for monitoring of the ratings.”

The rating outstanding at that point in time was [CARE]BBB-(SO)/A3(SO)

Any other information: Not Applicable

Rating History for last three years:
Table: Rating History

S. No.	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month - year & rating In FY2018	Month - year & Rating in FY2016	Month - year & Rating in FY2015	Month - year & Rating in FY2014
1	Cash Credit (SO)	Long term(SO)	7.0	April 2017 [ICRA]BBB+ (Stable) (SO)	Feb 2016 Rating Suspended	Apr 2014 [ICRA]BB	NA
2	Non Fund Based (SO)	Short Term (SO)	3.0	[ICRA]A2(SO)	Rating Suspended	[ICRA]A4	NA

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instruments

Name of the instrument	Date of issuance/ sanction letter	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Fund Based Limits				7.0	[ICRA]BBB+(SO)(Stable)
Axis Bank				7.0	
Non Fund Based Limits				3.0	[ICRA]A2(SO)
Axis Bank				3.0	

Source: PEBSL

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About ICRA Limited:

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