

Press Release

Permanent Magnets Limited

17 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 34.48 Cr.
Long Term Rating	SMERA C
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long term rating of '**SMERA C' (read as SMERA C)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs.34.48 crore bank facilities of Permanent Magnets Limited.

Permanent Magnets Limited (PML) incorporated in 1960 is one of the flagship companies of Taparia Group. The company is engaged in manufacturing of magnets and magnet based products, parts and accessories of gas and electricity meters. PML has 2 factories in Mumbai and a registered office in Silvassa.

Key rating drivers

Strengths

• Experienced management and long track record of operations

PML, incorporated in 1960, has established presence in the market. The Promoters, Mr. Sharad Taparia (Managing Director), Mr. Mukul Taparia (Non-Executive Director) and Ms. Sunaina Taparia (Non-Executive Director) have more than five decades of experience in the magnet industry. The promoters are assisted by second line of management comprising Mr. Sukhmal Jain (Sr. Vice President-Finance) and Mr. P. A. Kamath (President) who are well experienced in the industry.

PML backed by an experienced management has been able to generate healthy relations with reputed suppliers as well as clients across globe.

• Moderate financial risk profile

PML has a moderate financial risk profile marked by tangible net worth of Rs.12.96 crore as on 31 March, 2017 as against Rs.11.78 crore as on 31 March, 2016. The gearing stood relatively low at 0.93 times as on 31 March, 2017 as against 1.52 times as on 31 March, 2016. The debt of Rs.12.03 crore mainly consists of term loan of Rs.3.60 crore, unsecured loan of Rs.0.25 crore and working capital borrowings of Rs.8.18 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 2.57 times for FY2017 as against 2.29 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 2.05 times for FY2017 as against 1.95 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.57 times as on 31 March, 2017 as against 3.15 times as on 31 March, 2016.

Weaknesses

- **Delays in servicing debt obligations**

There were instances of delays in the servicing the debt obligation (not rated by SMERA).

- **Working capital intensive scale of operations**

PML's operations are working capital intensive marked by high Gross Current Asset (GCA) days of 194 in FY2017 compared to 222 in FY2016. The GCA days are mainly dominated by high debtor days of 103 in FY2017 and 99 in FY2016. The working capital limits were ~70 percent utilised in the past six months. SMERA believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Exposure to intense competition in the industry**

The company is exposed to intense competition from organized as well as unorganized players in the industry. Also, exposure to volatility in the prices of raw materials and foreign exchange fluctuations can have impact on the margins of the company.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of PMPL to arrive at the rating.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	72.04	67.58	58.96
EBITDA	Rs. Cr.	4.46	3.96	4.17
PAT	Rs. Cr.	1.18	0.94	0.42
EBITDA Margin	(%)	6.19	5.85	7.07
PAT Margin	(%)	1.64	1.39	0.71
ROCE	(%)	12.21	9.53	22.55
Total Debt/Tangible Net Worth	Times	0.93	1.52	1.72
PBDIT/Interest	Times	2.57	2.29	1.60
Total Debt/PBDIT	Times	2.61	4.37	4.31
Gross Current Assets (Days)	Days	194	222	278

Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.25	SMERA C
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.75	SMERA C
Term loans	Not Applicable	Not Applicable	Not Applicable	1.08	SMERA C
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	0.78	SMERA C
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	13.62	SMERA A4
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4

Interchangeable with Buyers Credit facility

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in Avadhoot Mane, Analyst - Rating Operations Tel: +91-22-6714 1138 avadhoot.mane@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

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