

## Press Release

15 March, 2017

### Preet Machines Limited

#### Rating Assigned

<b>Total Bank Facilities Rated *</b>	Rs.24.50 Cr.
<b>Long Term Rating</b>	SMERA BB+/ Outlook: Stable
<b>Short Term</b>	SMERA A4+

# Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (**read as SMERA BB plus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 24.50 crore bank facilities of Preet Machines Limited. The outlook is '**Stable**'.

The Uttar Pradesh-based, PML was promoted by Mr. Preet Singh Chauhan and Mr. Gurmeet Singh Chauhan. PML is engaged in the manufacturing and commissioning of hot rolling mill plants as well as installation of individual components and machinery for Re-Bar Rolling mill, TMT Bar Mill, Section Rolling Mill and alloy steel Rolling Mill.

#### Key Rating Drivers

##### Strengths

- **Experienced management and long track record of operations**

The company was incorporated in 2001 and the day-to-day operations are managed by Mr. Preet Singh Chauhan and Mr. Gurmeet Singh Chauhan, Directors with experience of over two decades in the aforementioned line of business.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by interest coverage ratio of 5.53 times in FY2016 as against 6.61 times in the previous year. The DSCR stands at 4.67 times in FY2016 as compared to 5.62 times in FY2015. The net profitability margin stands at 1.92 per cent in FY2016 as against 1.63 times in FY2015.

##### Weaknesses

- **Capital intensive business**

The operations are working capital intensive with gross current asset (GCA) days of 235 as on March 31, 2016, an increase from 229 days in FY2014-15. The high GCA days emanate from the inventory holding period of 98 days in FY2015-16, which has improved from 126 days during the previous year.

- **Exposure of operating margins to fluctuations in raw material prices**

The ratings factor in the company's exposure to fluctuations in steel prices.

- **Moderate revenue with declining trend**

The scale of operations is moderate with decline in revenue from Rs.137.97 crore in FY2014 to Rs.105.86 in FY2016 on account of overall slowdown in the steel industry.

#### **Analytical Approach**

SMERA has considered the standalone business and financial risk profiles of the company.

#### **Outlook: Stable**

SMERA believes that PML will maintain a stable outlook over the medium term owing to its established track record and extensive experience of the management. The outlook may be revised to 'Positive' if the company reports sustained improvement in revenue and profitability profile, working capital cycle or higher than expected cash accruals. Conversely, the outlook may be revised to 'Negative' if the company registers decline in revenue and profitability or deterioration in the capital structure due to elongation of working capital cycle. Any large debt funded capital expansion undertaken by the company may also entail a 'Negative' outlook.

#### **About the Rated Entity - Key Financials**

PML incorporated in 2001 by Mr. Chauhan and family is engaged in the manufacturing and commissioning of hot rolling mill plants. The company also installs components and machinery for Re-Bar Rolling mill, TMT Bar Mill, Section Rolling Mill among others. The manufacturing facilities are located at Ghaziabad. For FY2015-16, the company reported profit after tax (PAT) of Rs.2.04 crore on operating income of Rs.105.86 crore, as compared with PAT of Rs.2.09 crore on operating income of Rs.128.30 crore in FY2014-15. The net worth stood at Rs.31.17 crore in FY2015-16 against Rs.29.13 crore a year earlier.

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

Not Applicable

#### **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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.50	SMERA BB+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+

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**ABOUT SMERA**

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