

Press Release

Perfect Dynamics Auto Private Limited

22 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 31.15 Crore.
Long Term Rating	SMERA BB/ Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs. 31.15 crore bank facilities of Perfect Dynamics Auto Private Limited. The outlook is '**Stable**'.

Perfect Dynamics Auto Private Limited (PDAPL), an Aurangabad-based company was incorporated in 2010. The company manufactures auto ancillary products and undertakes job work. It caters to Bajaj Auto, TVS Scooters, JBM Ltd, Badve Engineering Ltd among others. The company has installed capacity of 1, 33, 75,000 pieces per annum for manufacturing bike leg guards, body frame and other auto parts.

Key rating drivers

Strengths

Experienced management and moderate track record of operations

PDAPL was incorporated in 2010. The company was promoted by Mr. Anil Kumar Shrivastava, (Managing Director) and Mrs. Archana Srivastava. Mr. Shrivastava has over three decades of experience in the industry. The company has operations at Aurangabad (Maharashtra), Hosur (Tamil Nadu) and Pantnagar (Uttarakhand).

Reputed clientele

PDAPL caters to a reputed client base including Bajaj Auto Limited, JBM Ltd, TVS Scooter to name a few.

Weaknesses

Average financial risk profile

The company has average financial risk profile marked by low net worth of Rs. 6.87 crore as on 31 March, 2017 compared to Rs. 5.40 crore as on 31 March, 2016. The networth includes unsecured loan of Rs. 0.68 crore as the same is subordinated to bank debt. The gearing stood at 3.29 times as on 31 March, 2017 as against 2.51 times as on 31 March, 2016. The total debt of Rs. 22.56 crore comprises term loan of Rs. 9.29 crore from banks, working capital loans of Rs. 10.78 crore and unsecured loans from corporate and financial institutions of Rs. 2.49 crore as on 31 March, 2017. The Interest Coverage Ratio stood at 2.34 times in FY2017 as against 2.62 times in FY2016. The Debt Service Coverage Ratio stood at 1.32 times in FY2017 as against 1.54

times in the previous year. The Net Cash Accruals stood at Rs. 2.20 crore in FY2017 as against repayment obligation of Rs.1.72 crore in FY2017.

Working capital intensive operations and stretched liquidity

The operations of the company are working capital intensive evident from the Gross Current Asset (GCA) days of 141 in FY2017 and 131 in FY2016. This is mainly on account of stretched debtor days of 100 in FY2017 and 89 in FY2016. Further, the company has stretched liquidity profile as the cash credit is fully utilised for the last six months ended February, 2018.

Competitive and fragmented industry

PDAPL operates in a highly competitive and fragmented industry characterised by a large number of organised and unorganised players affecting margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Perfect Dynamics Auto Private Limited to arrive at the rating.

Outlook – Stable

SMERA believes that PDAPL will maintain a stable outlook over the medium term on the back of the extensive experience of the promoter and association of the company with Bajaj Auto Ltd. and TVS Scooters. The outlook may be revised to 'Positive' in case of improvement in the financial risk profile, coverage indicators and apt working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration in the capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	46.28	38.97	31.86
EBITDA	Rs. Cr.	4.59	4.13	2.61
PAT	Rs. Cr.	0.79	0.87	0.54
EBITDA Margin	(%)	9.92	10.59	8.19
PAT Margin	(%)	1.70	2.24	1.69
ROCE	(%)	13.20	15.65	24.68
Total Debt/Tangible Net Worth	Times	3.29	2.51	2.72
PBDIT/Interest	Times	2.34	2.62	2.15
Total Debt/PBDIT	Times	4.89	3.26	4.43
Gross Current Assets (Days)	Days	141	131	112

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	10.50	SMERA BB/ Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA BB/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.70	SMERA BB/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.75	SMERA BB/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA BB/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.18	SMERA BB/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.05	SMERA BB/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.72	SMERA BB/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.75	SMERA BB/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.75	SMERA BB/ Stable
Mortgage Loan Facility	Not Applicable	Not Applicable	Not Applicable	1.75	SMERA BB/ Stable

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ABOUT SMERA

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