

## Press Release

## Prime Meiden Limited (PML)

April 04, 2018



## Rating Assigned

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Short Term Rating	SMERA A1+ (SO)

\* Refer Annexure for details

## Rating Rationale

SMERA has assigned a short term rating of **SMERA A1+ (SO)** (read as **SMERA A one plus Structured Obligation**) to the Rs. 25.00 crore bank facilities of Prime Meiden Limited (PML).

The facilities of Rs.25.00 crore are secured by Standby Letter of Credit (SBLC) from Sumitomo Mitsui Banking Corporation, Japan. SMERA has assigned the rating based on the Credit enhancement in the form of SBLC.

## About the rated entity

Prime Meiden Ltd (PML) is an Indo-Japanese joint venture company of the Prime Group and Meidensha Corporation. The group is virtually present in every major sector of the economy such as power and energy, aviation, space, railways, defence, IT, infrastructure, industries including automobile & metallurgical industry, petroleum, oil, gas, steel, fertilizers and ship building. PML is in the business of manufacturing Extra Heavy transformers upto 765 kV in Special Economic Zone (SEZ), Naidupeta, District Nellore (AP).

## About Sumitomo Mitsui Banking Corporation

Sumitomo Mitsui Banking Corporation (SMBC) is a Japanese multinational banking and financial services company headquartered in Yurakucho, Chiyoda, Tokyo, Japan. Since December 2002, Sumitomo Mitsui Banking Corporation (SMBC) has been a wholly-owned subsidiary of Sumitomo Mitsui Financial Group Inc. (SMFG), a financial holding company. SMBC is the second largest bank in Japan by assets. It serves wide range of financial needs including deposits, loans and wealth management for 27 million account holders. For nine months ended December 2017, the bank reported operating income of ¥ 4,263.19 Billion (INR 2,614.57 billion) and Operating profit of ¥ 959.53 Billion (INR 585.23 billion). The total assets of the bank stood at ¥ 208,147.07 Billion (INR 126,950.98 Billion) and Shareholders' Equity of ¥ 8,550.97 Billion (INR 5215.32 Billion) as on 31 December 2017.

## Key rating drivers

## Strengths

## Facilities secured by SBLC from Sumitomo Mitsui Banking

The bank facilities to PML comprise Letter of credit and letter of guarantee aggregating Rs. 25.00 crore which are secured by a Standby Letter of Credit (SBLC) from SMBC. The SBLC from SMBC is valid till August 31, 2018. The SBLC is renewed on an annual basis. The rating assumes that this SBLC will be renewed in a timely manner so as to cover the lending bank's exposure till the maturity of the facilities.

Similarly the rating is also sensitive to changes in the credit profile of SBLC issuing bank i.e. Sumitomo Mitsui Banking Corporation.

### Experienced Management

PML is a 60 per cent subsidiary of Meidensha Corporation (MC), Japanese, Tokyo-based company. MC (Japan) is engaged in the manufacturing and selling of generators, substation equipment, water treatment equipment, electronic equipment, and information equipment. It is listed on the Tokyo Stock Exchange and is a constituent of the Nikkei 225. The company was established by Hosui Shigemune for the manufacture of electric motors in Kyobashi, Tokyo.

PML was incorporated in 2008 by Mr. Surinder Mehta founder chairman of Prime Group of companies who possesses more than three decades of experience in the industry. Mr. Rohan Mehta managing director of the company is also well experienced in the line and has a degree in Electronic Engineering from Oxford Brookes University (U.K).

### Weakness

#### Working Capital intensive nature of operations

PML has working capital intensive operations with gross current assets (GCA) of 302 days for FY 2017 which increased from 201 days in FY2016 on account of increase in receivables of 137 days and inventory of 97 days in FY2017 as against 115 days and 48 days respectively in FY 2016.

#### Exposed to intense competition

The company is exposed to intense competition in the power industry.

#### Analytical approach:

SMERA has considered the credit enhancement in the form of SBLC from Sumitomo Mitsui Banking Corporation while arriving at the rating. Any change in the credit profile of the SBLC issuing bank will be a key rating sensitivity factor.

#### About the Rated Entity – Key Financials (Consolidated)

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	152.92	185.73	199.87
EBITDA	Rs. Cr.	(29.48)	(42.16)	(27.17)
PAT	Rs. Cr.	(158.62)	(56.18)	(40.95)
EBITDA Margin	(%)	(19.28)	(22.70)	(13.59)
PAT Margin	(%)	(103.73)	(30.25)	(20.49)
ROCE	(%)	(24.50)	(27.79)	(28.41)
Total Debt/Tangible Net Worth	Times	4.50	2.98	1.48
PBDIT/Interest	Times	(0.91)	(1.15)	(0.92)
Total Debt/PBDIT	Times	(6.58)	(3.60)	(6.35)
Gross Current Assets (Days)	Days	302	201	296

### Any other information:

Not Applicable

### Applicable Criteria

- Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities: <https://www.smerra.in/criteria-manufacturing.htm>
- Structured transactions: <https://www.smerra.in/criteria-securitization.htm>

### Note on complexity levels of the rated instrument

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

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

CRISIL, in its press release dated May 16, 2016 has stated inter-alia as under

"CRISIL has suspended the ratings of PML on account of non-cooperation by PML with CRISIL's efforts to undertake a review of the ratings outstanding. Despite repeated requests by CRISIL, PML is yet to provide adequate information to enable CRISIL to assess PML's ability to service its debt."

### 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
Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	SMERA A1+ (SO)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	13.00	SMERA A1+ (SO)

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## ABOUT SMERA

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