

## Press Release

### Permanent Magnets Limited

July 01, 2019

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs.34.48 Cr.
<b>Long Term Rating</b>	ACUITE C
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE C**' (read as **ACUITE C**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.34.48 crore bank facilities of Permanent Magnets LIMITED (PML).

Mumbai based, Permanent Magnets Limited was incorporated in year 1960 by Mr. Kantilal Morarji Desai, P (PML) which was sold off to Mr. Taparia in year 1965. It is the flagship company of the Taparia Group. PML is engaged in manufacturing of Alnico (Aluminium, Nickel and Cobalt) Magnets & Magnetic assemblies, Parts and accessories of Electricity Meters, Gas Meters and Electrical vehicles. The company have its manufacturing facility at Mira road, Mumbai.

### Analytical Approach

Acuite has considered standalone business and financial risk profile of PML to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Established track record of operations**

PML is in operations since 1960 and has market presence in India as well as USA, Europe and Brazil. The company has established relationship with customers and suppliers. 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.

Acuite expects that the company to benefit from its established market presence and healthy relationship with customers and suppliers in the long run.

- **Healthy financial risk profile**

PML has healthy financial risk profile marked by improvement in net worth, gearing and debt coverage indicators. The networth stood at Rs.33.18 crore as on March 31, 2019 as compared to Rs.18.38 crore as on March 31, 2018. The debt to equity ratio improved to 0.25 times as on March 31, 2019 as compared to 0.77 times as on March 31, 2018. The total debt of Rs.8.43 crore as on March 31, 2019 includes long term debt of Rs.2.59 crore and working capital borrowing (cash credit) of Rs.5.84 crore. The interest coverage ratio stood healthy at 15.80 times as on March 31, 2019 as compared to Rs.5.93 crore as on March 31, 2018. The DSCR stood at 9.78 times as on March 31, 2019 as compared to 4.00 times as on March 31, 2018. Total outstanding liabilities to total net worth stood healthy at 0.98 times as on March 31, 2019 as compared to 2.18 times as on March 31, 2018.

Acuite expects that PML will have continue to have healthy financial risk profile in absence of significant debt funded capex while maintaining its profitability margins.

## Weaknesses

- **Delay in servicing debt obligation**

There is continuous instance of delay in servicing its debt obligation. (not rated by Acuite).

- **Highly competitive and fragmented industry**

The company is exposed to intense competition from organized as well as unorganized players in the industry. PML is exposure to volatility in the prices of raw materials and foreign exchange fluctuations can have impact on the margins of the company. However, company has natural hedge which will mitigate the forex risk to some extent.

### Liquidity Position:

PML has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. Bank limit utilisation was ~80% utilized for the six months ended May 31, 2019. Utilisation is expected to remain moderate on account of adequate net cash accruals generation. PML has generated net cash accruals of RS. 0.93 -16.37 crore over the last 4 years as against debt obligation of Rs. 0.32- 0.53 crore over the same period. The remaining accrual will provide cushion liquidity. Current ratio was moderate at 1.89 times as on March 31, 2019.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	120.89	92.97	72.05
EBITDA	Rs. Cr.	23.65	8.60	4.28
PAT	Rs. Cr.	14.80	5.39	1.19
EBITDA Margin	(%)	19.57	9.25	5.94
PAT Margin	(%)	12.25	5.80	1.65
ROCE	(%)	61.89	30.72	11.53
Total Debt/Tangible Net Worth	Times	0.25	0.77	0.93
PBDIT/Interest	Times	15.80	5.93	2.75
Total Debt/PBDIT	Times	0.35	1.44	2.71
Gross Current Assets (Days)	Days	174	194	194

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

None

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Apr-2018	Cash Credit	Long Term	8.25	ACUITE C (Assigned)
	Cash Credit	Long Term	6.75	ACUITE C (Assigned)
	Term Loans	Long Term	1.08	ACUITE C (Assigned)
	Proposed Bank Facilities	Long Term	0.78	ACUITE C (Assigned)
	Letter of Credit	Short Term	13.62	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A4 (Assigned)

**\*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	8.25	ACUITE C (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.75	ACUITE C (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	0.72 (Reduced from Rs.1.08 crore)	ACUITE C (Reaffirmed)
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	1.14 (Enhanced from Rs.0.78 crore)	ACUITE C (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	11.40 (Reduced from Rs.13.62 crore)	ACUITE A4 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4 (Reaffirmed)
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	2.22	ACUITE A4 (Reaffirmed)

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**About Acuité Ratings & Research:**

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