

Press Release

Permanent Magnets Limited

September 22, 2020

Rating Reaffirmed and Withdrawn



Total Bank Facilities Rated*	Rs. 34.48 Cr.
Long Term Rating	ACUITE C (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE C**' (read as **ACUITE C**) and the short-term rating of '**ACUITE A4**' (read as **ACUITE A4**) on the Rs. 34.48 crore bank facilities of Permanent Magnets Limited (PML).

Further, Acuité has withdrawn the long-term rating of '**ACUITE C**' (read as **ACUITE C**) on the Rs. 0.72 crore bank facilities of PML.

Mumbai based, PML was incorporated in the year 1960, by Mr. Kantilal Morarji Desai, which was sold off to Mr. Taparia in the 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 has its manufacturing facility at Mira road, Mumbai.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of PML to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

PML is in operations since 1960 and has market presence in India as well as the USA, Europe and Brazil. The company has established a relationship with customers and suppliers. The Promoters, Mr. Sharad Taparia (Managing Director), Mr. Mukul Taparia (Non-Executive Director) and Ms. Sundaina Taparia (Non-Executive Director) have more than five decades of experience in the magnet industry. The promoters are assisted by the 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.

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

• Health financial risk profile

PML has a healthy financial risk profile marked by improvement in net worth, gearing and debt coverage indicators. The networth stood at Rs.47.77 crore as on March 31, 2020 as compared to Rs. 33.18 crore as on March 31, 2019. The debt to equity ratio improved to 0.14 times as on March 31, 2020 as compared to 0.25 times as on March 31, 2019. The total debt of Rs. 6.80 crore as on March 31, 2020 includes long term debt of Rs. 6.61 crore and working capital borrowing of Rs. 0.11 crore. The interest coverage ratio stood healthy at 16.91 times in FY2020 as compared to Rs. 15.80 times in FY2019. The DSCR stood at 10.81 times as on March 31, 2020 as compared to 9.78 times as on March 31, 2019. Total outstanding liabilities to total net worth stood healthy at 0.50 times as on March 31, 2020 as compared to 0.98 times as on March 31, 2019.

Weaknesses

- **Delay in servicing debt obligation**

There were instances of delay in servicing of debt obligations (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 an impact on the margins of the company. However, the company has a natural hedge which will mitigate the forex risk to some extent.

Liquidity Position: Adequate

Bank limit utilization was almost unutilized for the six months ended in July 31, 2020. Utilization is expected to remain low on account of adequate net cash accrual generation. PML has generated net cash accruals of Rs. 6.66-17.31 crore over the last 3 years as against debt obligation of Rs. 0.32 - 0.09 crore over the same period. The remaining accrual will provide cushion liquidity. The company held cash and bank balances of Rs. 1.98 crore as on March 31, 2020. The current ratio stood at 3.28 times as on March 31, 2020. Acuite expects that PML will maintain adequate liquidity on account of adequate net cash accruals to its maturing debt obligation and unutilized bank limits.

Rating Sensitivities

Not Applicable

Material Covenants

None

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	106.74	120.89
Profit after Tax (PAT)	Rs. Cr.	14.32	14.80
PAT Margin	(%)	13.41	12.25
Total Debt/Tangible Net Worth	Times	0.14	0.25
Total Debt/PBDIT	Times	16.91	15.80

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore.)	Ratings/Outlook
01-July-2019	Cash Credit	Long Term	8.25	ACUITE C (Reaffirmed)

	Cash Credit	Long Term	6.75	ACUITE C (Reaffirmed)
	Term Loans	Long Term	0.72	ACUITE C (Reaffirmed)
	Proposed Bank Facilities	Long Term	1.14	ACUITE C (Reaffirmed)
	Letter of Credit	Short Term	11.40	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Proposed Bank Facilities	Short Term	2.22	ACUITE A4 (Reaffirmed)
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 Available	Not Applicable	Not Available	0.72	ACUITE C (Withdrawn)
Proposed Bank Facilities	Not Applicable	Not Applicable	Not Applicable	1.86 (Enhanced from Rs. 1.14 crore)	ACUITE C (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	11.40	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)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Vice President - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Parth Pandit Analyst - Rating Operations Tel: 022-49294032 parth.pandit@acuite.in</p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.