

Press Release

Permanent Magnets Limited

December 09, 2021



Rating Reaffirmed

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	17.62	17.62		ACUITE A4 Reaffirmed
Bank Ratings Loan	16.86	16.86	ACUITE C Reaffirmed	
Total	-	34.48	-	-

*Refer annexure for details

Rating Rationale

Acuite 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).

Rationale for Rating Reaffirmation

The rating reaffirmation considers the delay in servicing of debt obligations (not rated by Acuite).

About the Company

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

Acuite 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. Sunaina 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.

Acuite expects 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.63.82 crore as on March 31, 2021 as compared to Rs. 47.77 crore as on March 31, 2020. The debt-to-equity ratio improved to 0.08 times as on March 31, 2021 as compared to 0.14 times as on March 31, 2020. The total debt of Rs. 5.06 crore as on March 31, 2021 includes long term debt of Rs. 5.04 crore. The interest coverage ratio stood healthy at 25.09 times in FY2021 as compared to Rs. 16.91 times in FY2020. The DSCR stood at 18.13 times as on March 31, 2021 as compared to 10.81 times as on March 31, 2020. Total outstanding liabilities to total net worth stood healthy at 0.44 times as on March 31, 2021 as compared to 0.50 times as on March 31, 2020.

Weaknesses

>Delay in servicing debt obligation

There were instances of delay in servicing of debt obligations (not rated by Acuité).

>Highly competitive and fragmented industry

The company is exposed to intense competition from organized as well as unorganized players in the industry. PML is exposed 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 limits were almost unutilized for the six months ended October 31, 2021. Utilisation is expected to remain low on account of adequate net cash accrual generation. PML has generated net cash accruals of Rs. 16.37-19.43 crore over the last 3 years as against debt obligation of Rs. 0.04 - 0.35 crore over the same period. The remaining accrual will provide cushion liquidity. The company held cash and bank balances of Rs. 3.43 crore and they have unencumbered fixed deposits of Rs.10.86 crore as on March 31, 2021. Current ratio stood at 3.31 times as on March 31, 2021.

Rating Sensitivities

Not Applicable

Material covenants

None

Outlook: Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	116.81	106.74
PAT	Rs. Cr.	16.14	14.32
PAT Margin	(%)	13.82	13.41
Total Debt/Tangible Net Worth	Times	0.08	0.14
PBDIT/Interest	Times	25.09	16.91

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>

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Sep 2020	Letter of Credit	Short Term	11.40	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	0.72	ACUITE C (Withdrawn)
	Proposed Bank Facility	Long Term	1.86	ACUITE C (Reaffirmed)
	Proposed Bank Facility	Short Term	2.22	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	6.75	ACUITE C (Reaffirmed)
	Cash Credit	Long Term	8.25	ACUITE C (Reaffirmed)
01 Jul 2019	Proposed Bank Facility	Short Term	2.22	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	0.72	ACUITE C (Reaffirmed)
	Letter of Credit	Short Term	11.40	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	6.75	ACUITE C (Reaffirmed)
	Proposed Bank Facility	Short Term	1.14	ACUITE C (Reaffirmed)
	Cash Credit	Long Term	8.25	ACUITE C (Reaffirmed)
17 Apr 2018	Cash Credit	Long Term	8.25	ACUITE C (Assigned)
	Cash Credit	Long Term	6.75	ACUITE C (Assigned)
	Term Loan	Long Term	1.08	ACUITE C (Assigned)
	Proposed Bank Facility	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.68	4.68	ACUITE C Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.82	3.82	ACUITE C Reaffirmed
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.44	8.44	ACUITE A4 Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.96	2.96	ACUITE A4 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	8.36	8.36	ACUITE C Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	6.22	6.22	ACUITE A4 Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Dipti Ahire Management Trainee-Rating Operations Tel: 022-49294065 dipti.ahire@acuite.in	

About Acuité Ratings & Research

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