



**Press Release**  
**Permanent Magnets Limited**  
**November 22, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.86	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	17.62	-	ACUITE A3   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	34.48	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating at ‘ACUITE BBB-’ (read as ACUITE triple B minusa) and the short term rating at ‘ACUITE A3’ (read as ACUITE A three) on the Rs. 34.48 crore bank facilities of Permanent Magnets Limited (PML). The outlook is ‘Stable’.

**Rationale for Rating**

The rating has been reaffirmed considering PML’s stable operating performance along with a healthy financial risk profile. The operating revenue stood at Rs.201.47 Cr. in FY2024 as against Rs.183.53 Cr. in FY2023. The EBITDA margins stood at 18.70 percent in FY2024 as against 24.98 percent in FY2023. Further, the company achieved a revenue of Rs.107.75 Cr. till 6MFY25 with operating margin of 14.53 percent and is expected to achieve turnover of Rs.200-210 Cr. in FY2025. The decline in margins is attributable to change in sale product mix during this period. The financial risk profile is healthy marked by healthy net worth, low gearing and comfortable debt protection metrics. The rating further continues to factor in the longstanding experience of the management and PML’s established track record of operations.

The rating however remains constrained due to intensive working capital operations, high reliance on non-fund based working capital limits.

**About the Company**

Mumbai based, Permanent Magnets Limited (PML) was incorporated in the year 1960, by Mr. Kantilal Morarji Desai, which was sold off to Taparia Group in the year 1965. It is the flagship company of the 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 and is currently promoted and managed by Taparia family.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profiles of Permanent Magnets Limited (PML) to arrive at this rating.

**Key Rating Drivers**

**Strengths**

### **Experienced management and established track record of operations**

PML is in operations since 1960 and has a market presence in India as well as the USA, Europe and Brazil. The Promoter, Mr. Sharad Taparia, Managing Director has 27 years of work experience in the magnet industry. The promoters are assisted by the second line of management who are well experienced in the industry. On the back of experienced management, the company has been able to maintain its long-term association with customers and suppliers with some of whom have been associated for more than two to three decades.

The operating income of PML is improving YoY and stood at Rs.201.47 Cr. as on FY2024 as against Rs.183.53 Cr. as on FY2023. The EBITDA margins stood at 18.70 percent in FY2024 as against 24.98 percent in FY2023. The PAT margin of the company stood at 11.29 percent in FY24 as against 16.21 percent in FY2023. Further, the company has achieved a revenue of Rs.107.75 Cr. till 6MFY24 with operating margin of 14.53 percent and expecting to achieve turnover of Rs.200-210 Cr. in FY2025. The growth of the company is subdued in in H1FY2025 due to relatively lesser demand under EV segments and postponement of export orders.

With the introduction of new products like alloy casting, modules and components, etc, and venturing into forward integration, Acuite believes that company will be able to seize its growth momentum and improve their scale of operations and profitability over the medium term.

### **Healthy financial risk profile**

The financial risk profile of the PML is healthy marked by high net worth, comfortable debt protection metrics and low gearing ratio. The net worth of the company stood at 132.22 Cr. as on March 31 2024 as against Rs.110.84 Cr. as on March 31 2023 aided by sizeable accretion to reserves. The company follows a conservative leverage policy as reflected in the gearing level of the company of 0.13 times as on March 31 2024, as against 0.07 times as on March 31, 2023. The total debt of the company which stood at Rs.17.83 crore includes Rs.14.46 Cr. of long-term debt, Rs.1.84 Cr. of short term debt and Rs.1.53 Cr. of current maturities of long term debt. Further, the Total outside liabilities to total net worth (TOL/TNW) stood low at 0.37 times as on FY2024 as against 0.35 times as on FY2023. The Debt/ EBITDA stood at 0.45 times as on March 31 2024 as against 0.16 times as on March 31 2023. Further, the debt protection metrics of the company are comfortable with interest coverage ratio (ICR) of 18.17 times as of March 31,2024 as against 35.41 in the previous year. The debt service coverage ratio (DSCR) stood at 8.07 times as of March 31,2024 as against 10.92 times in the previous year. The NCA/ TD stood at 1.66 times for FY2024.

PML is planning to shift the entire plant & machinery location to a new site. The total CAPEX cost is Rs.30-35 Cr. The entire CAPEX is being funded through internal accruals and term loan. The company is expecting to finish the CAPEX by FY2027.

Acuite believes that financial risk profile of the PML will continue to remain healthy owing to strong net worth and high operating margins.

### **Weaknesses**

#### **Working capital intensive nature of operations**

The operations of the company are working capital intensive in nature marked by high GCA days of 199 days for March 31 2024 as against 221 days for March 31 2023 on account of high debtors and inventory days. Receivables days stood high at 75 days as on March 31, 2024 as against 109 days as on March 31 2023. High receivable days is due to few billings being concentrated towards the end of every fiscal year. Inventory days stood at 122 days as on March 31, 2024 as against 142 days as on March 31 2023. The creditor days improved in FY2024 however stood high at 84 days as on March 31 2024 as against 108 days as on March 31 2023. The working capital operation of the PML will continue to intensive owing to nature of business operations.

#### **Highly competitive and fragmented industry**

The company is exposed to high 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 mitigates the forex risk to some extent.

### **Rating Sensitivities**

- Timely completion of capex without cost overrun
- Elongation of working capital cycle

### **Liquidity Position Adequate**

PML has an adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.29.61 crore for FY2024 as against Rs.0.12 Cr. of current maturities in the same year. Going forward the company is expected to generate net cash accruals in the range of Rs.27-34 Cr. as against less than Rs. 2.00 Cr. CPLTD repayment obligations. The company maintained unencumbered cash and bank

balances of Rs.6.03 crore as on 31 March 2024. The current ratio stood high at 4.05 times as on March 31 2024. However, the non-fund-based limits remained highly utilised at 100.00 percent for the last twelve months as of January 2024. Moreover, the working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 199 days as of 31st March 2024 as compared to 221 days as of 31st March 2023. Acuité believes that going forward, the absence of any committed term liabilities would further strengthen the liquidity profile of the company.

**Outlook: Stable**

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	201.47	183.53
PAT	Rs. Cr.	22.74	29.75
PAT Margin	(%)	11.29	16.21
Total Debt/Tangible Net Worth	Times	0.13	0.07
PBDIT/Interest	Times	18.17	35.41

### 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Apr 2024	Letter of Credit	Short Term	4.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Short Term Bank Facility	Short Term	2.22	ACUITE A3 (Upgraded from ACUITE A4+)
	Letter of Credit	Short Term	11.40	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	4.68	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Cash Credit	Long Term	3.82	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Proposed Long Term Bank Facility	Long Term	1.86	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
	Term Loan	Long Term	6.50	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)
17 Feb 2023	Proposed Short Term Bank Facility	Short Term	2.22	ACUITE A4+ (Upgraded from ACUITE A4)
	Letter of Credit	Short Term	11.40	ACUITE A4+ (Upgraded from ACUITE A4)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Cash Credit	Long Term	4.68	ACUITE BB+   Stable (Upgraded from ACUITE C)
	Cash Credit	Long Term	3.82	ACUITE BB+   Stable (Upgraded from ACUITE C)
	Proposed Long Term Bank Facility	Long Term	1.86	ACUITE BB+   Stable (Upgraded from ACUITE C)
	Term Loan	Long Term	6.50	ACUITE BB+   Stable (Upgraded from ACUITE C)
09 Dec 2021	Letter of Credit	Short Term	2.96	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	8.44	ACUITE A4 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	6.22	ACUITE A4 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	8.36	ACUITE C (Reaffirmed)
	Cash Credit	Long Term	3.82	ACUITE C (Reaffirmed)
	Cash Credit	Long Term	4.68	ACUITE C (Reaffirmed)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Complexity Level</b>	<b>Rating</b>
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.82	Simple	ACUITE BBB-   Stable   Reaffirmed
Central Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.68	Simple	ACUITE BBB-   Stable   Reaffirmed
Central Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.40	Simple	ACUITE A3   Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE A3   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.86	Simple	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.22	Simple	ACUITE A3   Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2028	6.50	Simple	ACUITE BBB-   Stable   Reaffirmed

## Contacts

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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