

Press Release

Precitec Precision Machineries Private Limited

April 23, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.63 Cr.
Long Term Rating	SMERA B-/ Outlook: Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B-**' (read as **SMERA B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.9.63 crore bank facilities of Precitec Precision Machineries Private Limited (PPML). The outlook is '**Stable**'.

Incorporated in 1978, PPML is a Bengaluru-based company engaged in the manufacturing of special purpose machine tools including CNC machines for metal cutting. PPML caters to automobiles, auto components and power generation sectors. The company was promoted by Mr. H K Sridhara. Currently, the company is led by Mr. HS Nikhila and Mr. Ravindra Sridhara (sons).

Key Rating Drivers

Strengths

Experienced management and long track record of operations

Mr. H S Nikhila and Mr. Ravindra Sridhara, Directors have experience of more than two decades in the machine tool segment. PPML has a long operational track record of over five decades in the industry. PPML has clients across India including Mahindra & Mahindra, Larsen & Toubro across Italy and Oman. Over the years, the company has built healthy relations with suppliers for procurement of MS steel and bearing products.

SMERA believes that PPML will continue to benefit from its experienced management and established relations with customers and suppliers.

Weaknesses

Modest scale of operations

The scale of operations is modest. Revenue fell to Rs.3.76 crore in FY2017 from Rs.7.98 crore in FY2016 mainly due to GST implementation. On provisional basis, PPML reported revenue of about Rs.9.00 crore for 11 months ended FY2018.

SMERA believes that the revenue profile of PPML will continue to be modest on the back of end-to-end solution model.

Below average financial risk profile

The financial risk profile is below average marked by modest net worth of Rs.3.17 crore as on 31 March, 2017. The gearing (debt-to-equity ratio) stood at 1.93 times in FY2017 compared to 2.21 times in FY2016. The total debt of Rs.6.14 crore consists of working capital borrowings of Rs.3.52 crore, term loan of Rs.1.81 crore and unsecured borrowing of Rs.0.81 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) is comfortable at 1.24 times and Debt Service Coverage Ratio (DSCR) is low at 0.66 times in FY2017 as against

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0.75 times in FY2016.

SMERA believes that the financial risk profile will continue to be below average due to modest scale of operations and low accretion to reserves.

Outlook: Stable

SMERA believes that PPML will maintain a 'Stable' outlook over the medium term owing to the experience of the management and established track record. The outlook may be revised to 'Positive' in case PPML reports higher-than-expected revenue and profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue, profitability or stretch in the working capital cycle thus impacting liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	3.71	7.94	6.57
EBITDA	Rs. Cr.	0.96	1.23	1.10
PAT	Rs. Cr.	0.10	0.00	0.00
EBITDA Margin	(%)	25.57	15.44	16.63
PAT Margin	(%)	2.61	0.02	0.03
ROCE	(%)	8.28	10.13	17.12
Total Debt/Tangible Net Worth	Times	1.93	2.21	2.14
PBDIT/Interest	Times	1.24	1.24	1.33
Total Debt/PBDIT	Times	6.24	5.48	5.92
Gross Current Assets (Days)	Days	1126	435	566

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

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
Term Loan (DPN)	Not Applicable	Not Applicable	Not Applicable	1.08	SMERA B-/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.72	SMERA B-/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B-/Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.40	SMERA A4
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	1.93	SMERA A4

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ABOUT SMERA

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