

Press Release

P M Electro Auto Private Limited

26 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 86.86 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs.86.86 crore bank facilities of P M Electro Auto Private Limited (PMEA). The outlook is '**Stable**'.

The Mumbai-based PMEAS was incorporated in 1991 by Mr. Sameer Sanghavi, Mr. Kapil Sanghavi Sanghvi, Mr. Vishal Sanghavi and Mr. Sandeep Sanghavi. The company is engaged in the manufacturing of sheet metal pressed components and assemblies for automobile, steel furniture, lighting systems for industrial applications among others. The company is also a leading manufacturer and supplier of automobile spare parts such as bumper, metallic coated sheet to name a few.

PMEA has ISO: 9001-2008, ISO: 14001-2004, TS-16949 certification and currently operates at two manufacturing locations. It has four factories at Palghar and five factories at Nashik in Maharashtra.

Key Rating Drivers

Strengths

Long established track record and experienced management

PMEA was incorporated in 1991. The Promoters, Mr. Sameer Sanghavi, Mr. Kapil Sanghavi, Mr. Vishal Sanghavi and Mr. Sandeep Sanghavi among others have more than two decades of experience in the said line of business.

Diversified product portfolio

The company has a diversified business profile and manufactures more than 700 products including furniture, lighting led and street lights and auto spare components.

Established relations with reputed clientele

PMEA has well established and reputed clients such as Godrej, Mahindra Auto, Renew Solar to name a few, which limits counter-party risk.

Weaknesses

Customer concentration risk

Around 70 percent revenue in FY2017 was generated from the top five customers exposing the company to customer concentration risk. However, as reported by the management, new customers have been added which is likely to reduce the said risk in the near future.

Vulnerability of margins to fluctuations in raw material prices

The operating profitability is susceptible to volatility in raw material prices of steel. However, pricing agreements with customers are reworked every quarter and the company is able to pass on the impact of price fluctuations to its customers. Thus, reducing the effect of raw material price fluctuations to a large extent.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of PMEA to arrive at the rating.

Outlook: Stable

SMERA believes that PMEA will maintain a 'Stable' outlook over the medium term owing to its experienced management and established track record. The outlook may be revised to 'Positive' in case of substantial increase in scale of operations while achieving better profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile on account of larger-than-expected working capital requirements or decline in profitability margins.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	266.19	175.35	172.20
EBITDA	Rs. Cr.	17.25	10.76	9.68
PAT	Rs. Cr.	4.60	1.03	3.07
EBITDA Margin	(%)	6.48	6.13	5.62
PAT Margin	(%)	1.73	0.59	1.78
ROCE	(%)	22.82	11.84	27.37
Total Debt/Tangible Net Worth	Times	0.63	1.01	1.24
PBDIT/Interest	Times	3.05	2.39	3.23
Total Debt/PBDIT	Times	1.33	2.29	2.59
Gross Current Assets (Days)	Days	125	114	105

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

Not Applicable

Any other information

None

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	27.00	SMERA BBB- / Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	9.36	SMERA BBB- / Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	42.50	SMERA A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA A3 (Assigned)

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