

Press Release

Precise Cuts India Private Limited

28 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 5.32 Cr.
Long Term Rating	SMERA B/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long term rating of '**SMERA B**' (**read as SMERA B**) on the Rs. 5.32 crore bank facilities of Precise Cuts India Private Limited. The outlook is '**Stable**'.

Precise Cuts India Private Limited (PCIPL) was incorporated in 2005 to take-over the existing business of Precise Cuts, a partnership firm. PCIPL is engaged in the manufacturing of auto ancillary products for Bajaj Auto. PCIPL is promoted by Mr. Ashish Katariya and Mr. Rajnish Katariya. PCIPL has installed capacity of 4200 Metric Tonne per annum.

Key rating drivers

Strengths

Established track record of operations and experienced management:

PCIPL has established operational track record of more than a decade. This has helped maintain long standing relations with customers and suppliers. PCIPL also benefits from its experienced promoters, Mr. Ashish Katariya and Mr. Rajnish Katariya who possess around two decades of experience in the same industry.

Weaknesses

Average financial risk profile:

The company has average financial risk profile marked by low net worth of Rs. 3.93 crore as on 31 March, 2017 compared to Rs. 3.73 crore as on 31 March, 2016. The gearing stood at 1.52 times as on 31 March, 2017 as against 1.92 times as on 31 March, 2016. The total debt of Rs. 5.98 crore comprises of term loan of Rs. 1.85 crore from banks, working capital loans of Rs. 3.74 crore and unsecured loans from promoters of Rs. 0.39 Crore as on 31 March, 2017. The Interest Coverage ratio (ICR) stood at 1.90 times in FY2017 as against 2.24 times in FY2016. Debt service coverage ratio (DSCR) stood at 1.18 times in FY2017 as against 1.76 times in previous year.

Working capital intensive nature of operations and stretched liquidity:

The operations of the company are working capital intensive in nature evident from its Gross Current Asset (GCA) days of 197 days in FY2017 and 135 days in FY2016. This mainly on

account of stretched inventory days of 101 in FY2017 and 52 days in FY2016 and debtor days of 70 in FY2017 and 74 in FY2016. Further, the company has stretched liquidity profile as the cash credit is fully utilised for the last six months ended March, 2018.

Competitive and fragmented industry:

PCIPL operates in a highly competitive and fragmented industry characterized by large number of unorganized players affecting margins.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Precise Cuts India Private Limited to arrive at the rating.

Outlook – Stable

SMERA believes PCIPL will maintain a stable outlook over the medium term on the back of experience of the promoter. The outlook may be revised to 'Positive' in case of improvement in financial risk profile and coverage indicators and apt working capital management. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital management and deterioration in capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	18.43	26.83	25.80
EBITDA	Rs. Cr.	0.99	1.10	1.03
PAT	Rs. Cr.	0.21	0.34	0.28
EBITDA Margin (%)	(%)	5.35	4.11	3.99
PAT Margin (%)	(%)	1.13	1.26	1.08
ROCE (%)	(%)	8.50	11.06	26.85
Total Debt/Tangible Net Worth	Times	1.52	1.92	1.34
PBDIT/Interest	Times	1.90	2.24	2.14
Total Debt/PBDIT	Times	5.70	6.16	3.70
Gross Current Assets (Days)	Days	197	135	113

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

None

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.75	SMERA B/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.57	SMERA B/ Stable (Assigned)

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ABOUT SMERA

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