

Press Release

Pragati Transmission Private Limited (PTPL)

July 09, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE BB-/Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 14.00 crore bank facilities of Pragati Transmission Private Limited. The outlook is '**Stable**'.

Pragati Transmission Private Limited (PTPL) was incorporated in the year 2006 by Mr. P.D. Kadam and Mr. Atul S Bhirangi. The company is engaged in manufacturing, supplying and exporting of precision gears used in aerospace, industrial gear boxes, power tools, and machine tools & automobiles. The company is also doing job work facilities on CNC Gear Grinder, Hob Sharpener, and CNC Gear Tester. The key raw material used by the company is High Speed Steel (HSS) which is procured from the companies like Boiler India, ERA Steel India among others.

Key Rating Drivers

Strengths

Experienced management and reputed clientele:

Pragati Transmission Private Limited was incorporated as a private limited company in the year 2006. The promoters of the company Mr. P.D. Kadam and Mr. Atul S Bhirangi have more than two decades of experience in the same line of business through group companies named ACE-Micromatic and Pragati Automation Pvt Ltd and these companies are present in machine tool manufacturing in India. The company has long standing relationship of more than a decade with its business partners. The company sells to reputed customers like Hindustan Aeronautics Limited, Defense Research Development Laboratory, Indian Space Research Organization, Tata Motors Ltd, Varroc Engineering Private Ltd, Flash Electronics (India) Pvt Ltd, Force Motors, VE Commercial Vehicles and etc.

Average financial risk profile:

The average financial risk profile of the company is marked by moderate networth, high gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.12.26 crore in FY2017 as compared to Rs.9.83 crore in FY2016, mainly on account of retention of current year profit. The gearing of the company stood high at 1.94 times in FY2017 as compared to 1.61 times in FY2016. The total debt of Rs.23.75 crore consists of long-term debt of Rs.19.13 and short term debt of Rs.4.62 crore. The interest coverage ratio (ICR) of the company stood comfortable at 4.72 times in FY2017 as compared to 5.98 times in FY2016. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.64 times in FY2017 as compared to 2.90 times in FY2016. The net cash accruals against the total debt (NCA/TD) stand comfortable at 0.21 times in FY2017 compared to 0.31 times in FY2016.

Weaknesses

Moderate scale of operation:

The scale of operation stood moderate at Rs.23.28 crore in FY2017 as compared to Rs.20.40 crore in FY2016. The company has booked Rs.25.47 crore as on 31st March FY2018 (Provisional).

Presence in highly competitive and fragmented industry

PTPL is mainly engaged manufacturing of spring gear and motor parts. The company operates in highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

ACUITÉ believes PTPL will maintain a stable outlook in the medium term owing to its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and cash accruals while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or deterioration of the capital structure.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.28	20.40	19.13
EBITDA	Rs. Cr.	7.71	7.20	5.50
PAT	Rs. Cr.	2.54	2.19	1.85
EBITDA Margin (%)	(%)	33.13	35.28	28.75
PAT Margin (%)	(%)	10.93	10.75	9.65
ROCE (%)	(%)	17.64	21.98	27.50
Total Debt/Tangible Net Worth	Times	1.94	1.61	1.02
PBDIT/Interest	Times	4.72	5.98	4.85
Total Debt/PBDIT	Times	3.01	2.15	1.42
Gross Current Assets (Days)	Days	252	332	284

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.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. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BB-/Stable (Assigned)
Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Assigned)

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