

Press Release

Prime Hitech Engineering Limited

July 18, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 34.20 Cr.
Long Term Rating	ACUITE D
Short Term Rating	ACUITE D

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE D**' (**read as ACUITE D**) and short term rating of '**ACUITE D**' (**read as ACUITE D**) on the Rs. 34.20 crore bank facilities of Prime Hitech Engineering Limited.

Prime Hitech Engineering Limited, based at Naduket in Andhra Pradesh, was incorporated in April 2010 and began production in September 2013. The company is mainly engaged in the production of transformers and solar panel parts through fabrication. The company has also recently started the production of boring machines which are used for heavy industrial purposes. The company will soon start assembling parts for compressors by importing it from China.

Key Rating Drivers

Strengths

- **Diverse product range**

The company is mainly engaged in the manufacturing of transformers and solar panel parts. The company is also engaged into job work for different type of customized work. The company can manufacture products through fabrication as per the client's needs. The company can therefore manufacture a wide array of products to suit the individual client's needs and requirements. The company is also engaged in the production of heavy duty boring machines used for industrial purposes. PHEL will soon begin importing parts from China and assemble them to manufacture compressors. This will later be sold in the Indian market as per the market's modifications.

Weaknesses

- **Delay in debt servicing**

PHEL is availing cash credit facility of Rs. 11.20 crore, a letter of credit facility of Rs. 16.00 crore and a letter of guarantee facility of Rs. 7.00 crore. As informed by the banker, there have been delays in regularizing debt obligations relating to the letter of credit facility. The company was classified as NPA by the bank until June 25, 2018.

- **Below average financial risk profile**

PHEL exhibits below average financial risk profile as reflected by its modest net worth, high gearing and modest debt protection measures. The net worth stood at Rs 31.00 crore as on 31st March, 2017 as against 12.64 crore as on March 31st, 2016. The gearing stood at 2.04 times as on 31st March, 2017 from 5.76 times as on March 31st, 2016. Going forward, the company's ability to generate sufficient revenue to meet its debt obligation will remain a key rating sensitivity.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Prime Hi-Tech Engineering Limited to arrive at this rating.

Outlook:

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	74.08	29.45	66.81

EBITDA	Rs. Cr.	-5.58	-3.94	-0.47
PAT	Rs. Cr.	-21.73	-10.46	-6.86
EBITDA Margin	(%)	-7.53	-13.39	-0.70
PAT Margin	(%)	-29.34	-35.52	-10.27
ROCE	(%)	-22.82	-11.78	-0.92
Total Debt/Tangible Net Worth	Times	2.04	5.76	4.98
PBDIT/Interest	Times	-0.38	-0.50	-0.21
Total Debt/PBDIT	Times	-11.36	-18.93	-209.21
Gross Current Assets (Days)	Days	83	354	265

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.20	ACUITE D
Letter of credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE D
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE D

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Viren Rangpara Analyst - Rating Operations Tel: 022-67141363 viren.rangpara@acuiteratings.in	

About Acuité Ratings & Research:

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