

## Press Release

### Prime Hitech Engineering Limited

September 03, 2019



#### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs.34.20 Cr.
<b>Long Term Rating</b>	ACUITE D
<b>Short Term Rating</b>	ACUITE D

\* Refer Annexure for details

#### Rating Rationale

Acuité has reaffirmed 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 (PHEL).

Prime Hitech Engineering Limited (PHEL), based at Naduket in Andhra Pradesh, was incorporated in April 2010 and began production in September 2013. The company is 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.

#### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the PHEL to arrive at this rating

#### Key Rating Drivers

##### Strengths

- **Diverse product range**

PHEL is engaged in the manufacturing of transformers and solar panel parts, production of heavy duty boring machines used for industrial purpose and it is also engaged into job work for different type of customized work. Therefore, the company can cater to a wide range of customers through its standard as well as customized products.

##### Weaknesses

- **Delay in debt servicing**

PHEL has been facing significant liquidity pressure, which has impeded its ability to meet its debt obligation in a timely manner. The account has been persistently irregular on account of continuous Letter of Credit (LC) devolvement.

- **Weak financial risk profile**

PHEL has weak financial risk profile marked by average net worth, poor debt protection metrics and high gearing. The net worth of the company stood at Rs.15.41 crore as on 31 March, 2018 as against Rs. 31.00 crore as on 31 March, 2017. The gearing level (debt-equity) stood at 5.81 times as on 31 March, 2018 as against 2.04 times as on 31 March, 2017. The total debt of Rs. 89.57 crore as on 31 March, 2018 consists of long-term debt of Rs. 0.20 crore, unsecured loans of Rs. 58.54 crore and working capital borrowings of Rs. 30.83 crore.

#### Liquidity Position:

PHEL has poor liquidity marked by weak net cash accruals to its maturing debt obligations. The company generated negative cash accruals of Rs.6.20 crore in FY2018. The firm's working capital operations are intensive marked by gross current asset (GCA) days of 173 days in FY2018. The current ratio stood low at 0.31 times as on 31 March, 2018.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	36.81	74.08	29.45
EBITDA	Rs. Cr.	(8.98)	(5.58)	(3.94)
PAT	Rs. Cr.	(19.05)	(21.73)	(10.46)
EBITDA Margin	(%)	(24.41)	(7.53)	(13.39)
PAT Margin	(%)	(51.76)	(29.34)	(35.52)
ROCE	(%)	(20.93)	(22.82)	(11.78)
Total Debt/Tangible Net Worth	Times	5.81	2.04	5.76
PBDIT/Interest	Times	(1.53)	(0.38)	(0.50)
Total Debt/PBDIT	Times	(19.04)	(11.36)	(18.93)
Gross Current Assets (Days)	Days	173	83	354

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

Not Applicable

### Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-July-18	Cash Credit	Long Term	11.20	ACUITE D (Assigned)
	Letter of credit	Long Term	16.00	ACUITE D (Assigned)
	Bank guarantee/Letter of guarantee	Short Term	7.00	ACUITE D (Assigned)

### \*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 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE D (Reaffirmed)
Bank guarantee/Letter of guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE D (Reaffirmed)

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### About Acuité Ratings & Research:

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