

## Press Release

### Pranavam Aerospace Private Limited

December 12, 2018



### Rating Reaffirmed and Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 25.00 crore
<b>Long Term Rating</b>	ACUITE BB/ Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\*Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.25.00 crore bank facilities of Pranavam Aerospace Private Limited (PAPL). The outlook is '**Stable**'.

Incorporated in September 2016, PAPL is engaged in manufacture of detailed parts (Milled up to five axes, Turned, Turn milled, Fabricated and pressed sheet metal) and its assemblies for aircrafts. The company has its facility located at Aerospace SEZ in Bangalore (Karnataka).

### Analytical Approach

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

### Key Rating Drivers:

#### Strengths:

- **Experienced management and assured offtake**

The Promoters, Mr. Srinivasa Rao Amula and Mr. Bhanu Prakash Chinnamutte started their careers in 1990 in CNC machine tool industry. They started with assembly of Mitsubishi CNC machines under Pranita Engineering Solutions Private Limited (PESL), started in 1998. PESL was also engaged in manufacture of air craft parts and assembly of structural components. In 2012, PESL entered into a joint venture with Gardner Group of UK; and later, PESL was acquired by Gardner Group in July 2016.

Post that, the promoters incorporated PAPL in September 2016 to manufacture detailed parts for assemblies for aircrafts. The manufacturing unit has been set up at a project cost of Rs.30.58 crore near to Bangalore International Airport which gives location advantage for its operations. The commercial production was started in November 2018 and currently has confirmed orders of worth Rs.4.50 crore from Tier-II supplier to Boeing. Acuité believes that the company will benefit from the promoter's industry experience and reputed end-user clientele (Boeing and Airbus) in improving its business risk profile over the medium term.

#### Weaknesses:

- **Nascent stage of operations**

PAPL started commercial operations in November 2018 and booked revenue of about Rs.2 lakhs. It has got orders worth USD 0.62 million from Accurus Aerospace Corporation (Tier – II supplier to Boeing). Regular flow of orders and timely supplies are yet to be seen and are key rating sensitivity factors.

- **Below-average financial risk profile**

The financial risk profile is marked by high gearing of above 2.5 times over the medium term attributed to debt-funded capital expenditure undertaken by the company. The company has set-up air craft component manufacturing facility at a project cost of Rs.30.58 crore at a debt to equity of 3:1. The project is funded out of term loan of Rs.20 crore, and balance out of promoters' capital. Further, PAPL has got a sanction of working capital of Rs.1.00 crore. As the operations are at nascent stage, the financial risk profile is expected to be at similar levels over the medium term.

### Outlook: Stable

Acuité believes that the outlook on PAPL will remain 'Stable' over the medium term on account of experience of the promoters in automobile engineering and long track record of operations. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenues while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of less-than-expected accruals, or any significant stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	-	-	-
EBITDA	Rs. Cr.	-0.03	-0.09	-
PAT	Rs. Cr.	-0.03	-0.09	-
EBITDA Margin	(%)	-	-	-
PAT Margin	(%)	-	-	-
ROCE	(%)	-0.23	-2.57	-
Total Debt/Tangible Net Worth	Times	1.35	0.01	-
PBDIT/Interest	Times	-	-	-
Total Debt/PBDIT	Times	-	-	-
Gross Current Assets (Days)	Days	-	-	-

### 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>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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. Crore)	Ratings/Outlook
24-Sep-2018	Term loans	Long Term	18.25	ACUITE BB/Stable (Assigned)
	PC/PCFC	Short Term	0.50	ACUITE A4+ (Assigned)
	Bills Discounting	Short Term	0.50	ACUITE A4+ (Assigned)
	Proposed	Short Term	5.75	ACUITE A4+ (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	18.25	ACUITE BB / Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Reaffirmed)
Foreign Bill Discounting	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4+ (Reaffirmed)
Proposed Packing Credit	Not Applicable	Not Applicable	Not Applicable	2.75	ACUITE A4+ (Reaffirmed)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable (Assigned)

**Contacts**

Analytical	Rating Desk
Sri Hari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 <a href="mailto:srihari.adari@acuite.in">srihari.adari@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Sethu Madhav Analyst - Rating Operations Tel: 022-67141128 <a href="mailto:sethu.madhav@acuiteratings.in">sethu.madhav@acuiteratings.in</a>	

**About Acuité Ratings & Research:**

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