

Press Release

P Dass Forging Private Limited

December 18, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 13.29 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to the Rs. 13.29 crore bank facilities of P Dass Forging Private Limited. The outlook is '**Stable**'.

P Dass Forging Private Limited (PDF) was incorporated by Mr. Vijaypal Bansal, Mr. Ajay Kumar Bansal, Mr. Manish Bansal and Mr. Ashish Bansal in 1998. PDF is engaged in manufacturing of automotive components mainly for OEMs such as Hero Motocorp Limited, QH Talbros Private Limited and Sona Koyo Steering Private Limited. The product portfolio includes axle, bolts, and precision turned and forged components. PDF has its manufacturing unit located in Rohtak with installed capacity of 8400 MTPA.

Analytical Approach

Acuité has taken a standalone view of the financial and business risk profile of PDF to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters possess extensive experience of more than two decades in the auto component industry. The extensive experience of the management has helped PDF to secure repeated orders. Acuité believes that the experience of the management is expected to support in improvement of the business risk profile over the medium term.

- **Growing turnover along with profitability margins**

PDF has registered turnover of Rs.67.97 crore in FY2018, a growth of ~30 percent from Rs.52.38 crore in FY2017. The growth is mainly supported by increasing utilisation levels year-on-year basis of its installed capacity. Moreover, the operating margins stood at 10.97 percent in FY2018 as compared to 7.68 percent in FY2017 and 7.38 percent in FY2016.

- **Above average financial risk profile**

PDF has above average financial risk profile marked by moderate net worth and debt protection measures. The net worth stood at Rs.12.23 crore as on 31 March, 2018 as against Rs.7.89 crore as on 31 March, 2017. The gearing of the company stood at 1.13 times as on March, 31 2018 as against 1.50 times as on 31 March, 2017. Total debt of Rs.13.84 crore as on 31 March 2018 consists of unsecured loans from directors and promoters of Rs.6.30 crore, working capital borrowing of Rs.4.44 crore and term loan of Rs.3.10 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) reduced to 1.86 times as on 31 March, 2018 as against 2.06 times as on 31 March, 2017. Interest Coverage Ratio (ICR) remained moderate at 5.36 times in FY2018 and 2.73 times in FY2017. Acuité believes that the company would maintain its financial risk profile over the medium term in absence of major debt funded capex plans.

Weaknesses

- **Customer concentration risk**

The company caters to reputed OEMs such as Hero Motocorp Limited, QH Talbros Private Limited and Sona Koyo Steering Private Limited. These three collectively derive ~85 percent of the revenue. Thereby, PDF is exposed to customer concentration risk.

• **Intense competition in the automobile component segment**

The company is engaged in manufacturing of automotive components which faces intense competition in the market. Due to the high competitive intensity, the pricing flexibility of the company is limited, further capping margins of the company. The ability of the company to maintain the margins while recording growth would remain a key rating sensitivity.

Outlook: Stable

Acuite believes that PDF will maintain 'Stable' outlook over the medium term from experienced management and healthy relations with reputed customers in the industry. The outlook may be revised to 'Positive' in case the company achieves sustained improvement in profit margins while maintaining healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the company's revenues and profitability, or deterioration in the financial risk profile or working capital management.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	67.97	52.38	43.95
EBITDA	Rs. Cr.	7.46	4.02	3.24
PAT	Rs. Cr.	4.34	1.35	0.91
EBITDA Margin	(%)	10.97	7.68	7.38
PAT Margin	(%)	6.39	2.58	2.08
ROCE	(%)	27.76	17.26	28.05
Total Debt/Tangible Net Worth	Times	1.13	1.50	2.06
PBDIT/Interest	Times	5.36	2.73	2.36
Total Debt/PBDIT	Times	1.86	2.91	3.61
Gross Current Assets (Days)	Days	93	92	123

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

CRISIL, vide its press release dated April 13, 2018 had denoted the rating of P DASS FORGING PRIVATE LIMITED as 'CRISIL BB+/Stable (Issuer Not Cooperating; Rating Migrated)' on account of lack of adequate information required for monitoring of ratings.

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	7.00	ACUITE BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.79	ACUITE BBB- / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB- / Stable

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About Acuité Ratings & Research:

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