

Rating Advisory

July 05, 2018 | Mumbai

Permanent Magnets limited

Advisory as on July 05, 2018

This rating advisory is provided in relation to the rating of Permanent Magnets limited

The key rating sensitivity factors for the rating include:

- Timely Repayment of debt (Not Rated by CRISIL)

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Permanent Magnets Limited (PML) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If PML continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About The Company

PML was set up in 1960 and was taken over by the Taparia group in 1965. The company manufactures alnico magnets, magnetic assemblies, hi-permeability magnetic components, and parts and accessories of electricity meters. Its manufacturing facility located at Mira road, Mumbai.

Please note: This advisory should not be construed as a rating reaffirmation.

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Rating Rationale

May 31, 2017 | Mumbai

Permanent Magnets Limited

Rated amount enhanced

Rating Action

Total Bank Loan Facilities Rated	Rs.37 Crore (Enhanced from Rs.32 Crore)
Long Term Rating	CRISIL C (Reaffirmed)
Short Term Rating	CRISIL A4 (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its ratings on the bank facilities of Permanent Magnets Limited (PML) at 'CRISIL C/CRISIL A4'.

The rating continues to reflect continue instances of delay by PML in servicing its debt (not rated by CRISIL). PML has a below-average financial risk profile marked by its modest net worth, high total outside liabilities to tangible net-worth ratio, and average debt protection metrics. The company has modest scale of operations, large working capital requirements, is exposed to intense competition, and its profitability margins are susceptible to volatility in raw material prices and fluctuations in forex rates. However, the company benefits from its promoters' extensive industry experience and its established relationship with its customers.

Key Rating Drivers & Detailed Description

Weakness

*** Below average financial risk profile:** PML's financial risk profile is below average as marked by a modest networth and moderate gearing of 1.38 times as on March 31, 2016. The interest cover and net cash accrual to total debt ratio are adequate at about 2.2 times and 0.14 times respectively as on March 31, 2016 (refers to financial year, April 1 to March 31).

*** Modest scale of operations and exposure to intense competition in magnets industry:** PML is a moderate player in the magnets industry as reflected in its turnover of around Rs.67 crore for the year ended March 31, 2016. The company is involved in manufacturing of Alnico (Aluminium, Nickel and Cobalt) magnets, magnetic assemblies, copper shunts and hi-permeability magnetic components. However the company is exposed to intense competition from the other organised and unorganised players in the industry.

*** Susceptibility of operating margin to volatility in raw material prices and forex rates:** PML's operating margin is vulnerable to any adverse movement in the prices of raw material, largely Nickel and copper. The volatility in the prices of its raw materials is mitigated to a certain extent as the company usually enters into a fixed price contract with its customer and suppliers; however, the volatility in raw material prices has been quite high in the past, as reflected in the company's volatile operating margin in the range of 5.0 per cent to 7.6 per cent over the last five years ended March 31, 2016

*** Large working capital requirements:** PML's operations are working capital intensive as reflected in the high gross current assets of around 218 days as on March 31, 2016. The large working capital requirement is primarily driven by moderate debtors and high inventory.

Strengths

*** Extensive industry experience of promoters and established relationships with its customers:** The promoters of PML have been engaged in the custom-built magnets industry for over 5 decades. Their extensive industry experience has led to the company's established relationships with reputed suppliers, such as Sumitomo among others. Furthermore, the promoters have been able to develop strong relations with customers and are supplying magnets and other products to various smart grid manufacturers in the world.

About the Company

PML was set up in 1960 and was taken over by the Taparia group in 1965. The company manufactures alnico magnets, magnetic assemblies, hi-permeability magnetic components, and parts and accessories of electricity meters. Its manufacturing facility located at Mira road, Mumbai.

For fiscal 2016, PML reported a profit after tax of Rs 0.9 crore on an operating income of Rs67.58 crore as against a PAT of Rs 0.32 crore on an operating income of Rs 58.96 crore the previous fiscal.

Status of non-cooperation with previous CRA:

PML has not cooperated with ICRA Limited, which has suspended its rating vide release dated June 29, 2016. The reason provided by ICRA Limited is non-furnishing of information required for monitoring of ratings.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Cr)	Rating Assign Outlook
NA	Cash Credit	NA	NA	NA	15	CRISIL C
NA	Export Bill Negotiation	NA	NA	NA	3.2	CRISIL C
NA	Letter of Credit	NA	NA	NA	15	CRISIL A
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	1.23	CRISIL C
NA	Term Loan	NA	NA	June-2021	2.57	CRISIL C

Annexure - Rating History for last 3 Years

	Current			2017 (History)		2016		2015		2014	
Instrument	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based Bank Facilities	LT/ST	18.8	CRISIL C		No Rating Change		No Rating Change	31-12-15	CRISIL C		--
Non Fund-based Bank Facilities	LT/ST	18.2	CRISIL C/CRISIL A4	25-01-17	CRISIL C/CRISIL A4		No Rating Change	31-12-15	CRISIL A4		--

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	15	CRISIL C	Cash Credit	15	CRISIL C
Export Bill Negotiation	3.2	CRISIL C	Export Bill Negotiation	.8	CRISIL C
Letter of Credit	15	CRISIL A4	Letter of Credit	15	CRISIL A4
Proposed Long Term Bank Loan Facility	1.23	CRISIL C	Term Loan	1.2	CRISIL C
Term Loan	2.57	CRISIL C	--	0	--
Total	37	--	Total	32	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

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