



## Rating Rationale

13 Apr 2020

### Premier Industrial Corporation Ltd.

## Brickwork Ratings Assigns Rating for the Bank Loan Facilities of Rs.35.00 Crs of Premier Industrial Corporation Ltd. ('PICL or 'the Company)

### Particulars

Facility	Amount (Rs. Crs)	Tenure	Rating *
Fund based	35.00	Long Term	<b>BWR BB+/Stable Assigned</b> <b>BWR A4+ Assigned</b>
Fund Based	(17.00)**	Short Term	
Non-Fund Based	(25.00)**	Short Term	
<b>Total</b>	<b>35.00</b>	<b>INR Thirty Five Crores Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

# Details of Bank facilities is provided in Annexure-I

\*\*sub-limit

### Rating Action/Outlook: Assigned/Stable

The ratings draw strength from the promoters' experience in the industry, long and established track record, established business relationship with customers, and healthy credit risk profile. The ratings are however constrained by modest scale of operation limiting economies of scale, working capital intensive nature of operations, exposure to volatile raw material prices and presence in a competitive industry.

### Key Rating Drivers

#### Credit Strengths:

- **Promoters' experience in the industry, long and established track record and established business relationship with customers**

The main promoters of PICL, Mr. Arvind Morzaria, Mr. Dilip Morzaria and Mr. Subhash Morzaria have more than four decades of experience in the metal industry. PICL has a presence of more than two decades in the market and have established healthy business relationship with its customers which enables them to receive repeat orders.

- **Healthy credit risk profile**

As on March 31, 2019, TNW of PICL was healthy at Rs.74.78 crs. Against this, the Company has relatively lower working capital borrowings of Rs.33.48 Crs and unsecured loans of Rs.22.13 Crs, which are provided by the promoters and family. Due to this, Total Gearing of the Company is comfortable at 0.75x as on March 31, 2019. Operating profit margin of the Company is moderate at 10.46% for FY19 and its ISCR is also comfortable at 3.76x.



#### **Credit Risk:**

- **Modest scale of operation limiting economies of scale and working capital intensive nature of operations**

PICL reported TOI of Rs.176.22 Crs and PAT of Rs.11.03 Crs in FY19. During the 9MFY20 (Prov.) period the company has achieved a TOI of Rs.143.60 Crs. The present global crisis caused by the Corona virus outbreak can significantly impact the revenue levels of the Company as it imports nearly 50% of its raw material requirements and exports 20% of its products.

Further, the business operations of the Company are working capital intensive as its current assets days of the Company stood high at 202 days as on March 31, 2019 as PICL maintains high inventory to meet the customer demands.

- **Exposure to volatile raw material price and intense competition in the market**

PICL requires iron and ferro alloys as a raw material whose prices are highly volatile. Since PICL maintains three months inventory, the adverse changes in material prices can significantly impact the profit margins of the company. Further, there are several players in the market which provide metal and ferro alloys powder which given intense competition to PICL, limiting its revenue as well as profitability.

#### **Analytical Approach and Applicable Rating Criteria**

BWR has essentially relied upon the audited financials of the Company upto FY19, projections upto FY21, publicly available information and information/clarifications provided by the management.

#### **Rating Sensitivities**

Going forward the ability of the Company to increase its scale of operation and efficiently manage its working capital would be the key rating sensitivities.

**Positive:** If the Company manages to increase its scale of operations without deteriorating its profit margins would be positive for ratings

**Negative:** Decline in scale of operation and debt coverage indicators could be negative for the ratings.

#### **Liquidity Profile: Adequate**

As on March 31, 2019 the liquidity position of the Company is comfortable as its current ratio stood at 2.29x. PICL's average CC utilisation for the last 6 months is around 95% and had a cash balance of Rs.5.89 Crs as on March 31, 2019.

#### **Analytical approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale)

#### **About the Company**



Erstwhile a partnership firm in the name of M/s Premier Industrial Corporation & Metal Alloys Processors) Premier Industrial Corporation Ltd (PICL) was incorporated in 2007. PICL is promoted by the Morzaria family and it is engaged in powdering and crushing of metals which are used in production of electrodes and electrical industries. From FY19, the company has also entered into the business of manufacturing and distribution of nickel wires which find wide application in different industries.

The powdered metals which are used primarily as ingredients in the manufacturing of welding wires /rods. The manufacturing facilities are located at Rabale, Taloja (Navi Mumbai)-2 units and Bhiwandi. PICL exports 40% of its products and imports 50% of its raw material requirements.

PICL is a part of Kamman group which has 2 other companies in it. i.e. Premier Developers, which is engaged in the business of construction and Kamman Corporation, which is engaged in trading of iron powder, mica power, alginates and also ferro alloys. PICL has given corporate guarantee to the Bank Loan Facilities of Kamman Corporation.

**NON-COOPERATION WITH PREVIOUS RATING AGENCY: ICRA vide its press release on 31 October, 2019 has put the ratings on Issuer Non-co-operation on account of non-submission of information.**

#### KEY FINANCIAL INDICATORS

		<b>31.03.2018</b> Audited	<b>31.03.2019</b> Audited
<b>Total Operating Income</b>	(Rs. Cr)	139.76	176.22
<b>EBITDA</b>	(Rs. Cr)	15.63	18.43
<b>PAT</b>	(Rs. Cr)	7.72	11.03
<b>Tangible Networth</b>	(Rs. Cr)	63.75	74.78
<b>Total Debt:TNW</b>	(Times)	0.64	0.75
<b>Current Ratio</b>	(Times)	2.46	2.29

**KEY COVENANTS OF THE FACILITY TO BE RATED: NA**



**Rating History for the last three years:**

Sl. No.	Facility	Current Rating			Rating History		
		Type	Amount (Rs. Crs)	Rating	2019	2018	2017
1	<b>Fund based</b>	Long Term		<b>BWR BB+/Stable</b>	NA	NA	NA
	Line of Credit		35.00				
	Cash Credit		(35.00)*				
	PC/PCFC		(7.00)*				
2	<b>Fund Based</b>	Short Term		<b>BWR A4+ Assigned</b>	NA	NA	NA
	PC/PCFC		(7.00)*				
	FBP/FBD/BP/BD		(10.00)*				
3	<b>Non-Fund Based</b>	Short Term		<b>BWR A4+ Assigned</b>	NA	NA	NA
	Letter of Credit (Inland/Import)		(25.00)*				
	SBLC		(25.00)*				
			<b>35.00</b>	<b>INR Thirty Five Crores Only</b>			

\*sub-limit of Line of Credit

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)
- [Approach to Financial Ratios](#)



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**Annexure I**  
**Details of Rated Facilities**

Bank	Name of Facility	Nature of the Facility	Rated Amount (Rs. Crs)
Bank of Baroda	Line of Credit	Fund Based- Long Term	35.00
	Cash Credit		(35.00)*
	PC/PCFC	Fund Based-Short Term	(7.00)*
	FBP/FBD/BP/BD		(10.00)*
	Letter of Credit	Non-Fund Based	(25.00)*
	SBLC		(25.00)*
<b>Total</b>			<b>35.00</b>

\*sub-limit of line of credit

**Total Rupees Thirty Five Crores Only**

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