



## Rating Rationale

### Prime Industry

31 March 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 10.00 Crores of Prime Industry, Karur

#### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
<b>Fund based</b>		<b>Long Term</b>	<b>BWR B</b> <b>(Pronounced BWR Single B)</b> <b>Outlook: Stable</b>
<b>Cash Credit</b>	<b>7.00</b>		
<b>Non Fund Based</b>		<b>Short Term</b>	<b>BWR A4</b> <b>(Pronounced BWR A Four)</b>
<b>Letter of Credit (Inland)</b>	<b>1.50</b>		
<b>Letter of Credit (Foreign)</b>	<b>1.50</b>		
<b>Total</b>	<b>10.00</b>	<b>INR Ten Crore Only</b>	

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

#### Rating under Credit Watch with Positive / Negative / Developing implications

##### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials of FY15, FY16, FY17, projections of FY18, FY19 of Prime Industry ( or 'the firm'), publicly available information and information/clarifications as shared by the the firm's management and the Bank.

The rating factors in the partners experience of more than a decade in the business, steady revenue growth since FY15 and established relationship with its customers and suppliers. The rating, however, constrained by the firm's low networth, high debt equity, increasing cash conversion cycle and its presence in competitive environment of auto ancillary industry. Going forward, generation of adequate cash flows for timely servicing of interest obligation shall remain the key rating sensitivities. The conduct of the account with the Bank is standard and satisfactory.

### **Description of Key Rating Drivers**

- **Credit Strengths:**

- Net sales of the firm has increased steadily from ₹ 20.24 Cr in FY15 to ₹ 26.03 Cr in FY16 to ₹28.79 Cr in FY17.
- Firm has maintained a relationship of more than a decade with its customers and suppliers.

- **Credit Risks:**

- Low net-worth and debt equity of more than five times in FY17.
- Increasing cash conversion cycle on account of increasing inventory days

### **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).

### **Rating Outlook: *Stable***

BWR believes the **Prime Industry** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

Prime Industry, a partnership firm, was formed in 2006. The firm is engaged in manufacturing of automobile chain sprockets. Its manufacturing unit is located in Karur, Tamil Nadu. With an employee strength of 230 members, the firm has an inhouse R&D unit. The partners of the firm are Mr. R Padmanabhan, Mr. P Srinivasan, Ms. Akshasri and Ms. Preethisri.

### **Company Financial Performance**

As per audited financials FY17, firm has achieved an operating income of ₹ 28.79 Cr. With an operating profit of ₹ 4.09 Cr, firm has achieved net profit of ₹ 0.29 Cr. Net worth has increased from ₹ 2.99 Cr in FY16 to ₹ 3.61 Cr. Debt equity of the firm remains high at 5.36 times in FY17. With increased inventory days in FY17, cash conversion cycle has increased from two and half months in FY16 to above three months in FY17.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1.	Fund Based	Long Term	7.00	<b>BWR B (outlook: Stable)</b>	NIL		
2.	Non Fund Based	Short Term	3.00	<b>BWR A4</b>			
	<b>Total</b>		<b>10.00</b>	<b>₹ Ten Crore Only</b>			

Bank Loan facilities are availed from State Bank of India, Karur Branch

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

Any other information - NA

### Key Financial Indicators

Key Parameters	Units	FY17	FY16
Result Type		Audited	Audited
Operating Revenue	₹ Cr	28.79	26.03
EBITDA	₹ Cr	4.09	3.46
PAT	₹ Cr	0.29	0.27
Tangible Net worth	₹ Cr	3.61	2.99
Total Debt/Tangible Net worth	Times	5.36	5.74
Current Ratio	Times	1.32	1.44

### Hyperlink/Reference to applicable Criteria

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



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#### For print and digital media

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#### Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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