



Press Release

Precision Power Products (India) Private Limited (PPPL)

August 25, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Fund Based Facility – Cash Credit	7.50	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
2.	Long Term Fund Based Facility – Term Loan	1.91	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
3.	Short Term Non-Fund Based Facility – Bank Guarantee	15.50	IVR A4+ (IVR A Four Plus)	Assigned
4.	Proposed Long Term Fund Based Facility	0.39	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
	Total	25.30		

Details of Facilities are in Annexure I

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Precision Power Products (India) Private Limited (PPPL) derives comfort from its experienced promoters accompanied by technically expert & qualified team, diversified product portfolio and reputed customer profile along with healthy debt protection metrics & financial risk profile. However, the rating strengths are partially offset by small scale of operation, elongated working capital cycle and tender based nature of business.

Key Rating Sensitivities

Upward Factors

- Substantial & sustained growth in scale of operations while maintaining the profitability & debt protection metrics.
- Sustained improvement in gross working capital cycle.

Downward Factors



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- Any deterioration in liquidity profile on a sustained basis and/or elongation of working capital cycle leading to moderation in the capital structure.

Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoters accompanied by technically expert & qualified team

The promoters of the company are highly qualified & is supported with experienced team of technocrats in Power Electronics, Embedded Systems and Sensors, with an objective is to serve the Indian Defence industries by offering indigenously developed quality products and systems. Both the directors viz. Mr Vikas Bhamburdekar and Mr Vinit Bhamburdekar carry relevant background and experience in electronics and electrical field. With the extensive experience of the directors, established relationship and supported infrastructural support has helped the company in maintaining regular flow of orders.

Diversified product portfolio and reputed customer profile

Precision Power Products (India) Private Limited has a wide range of products which find application in diverse sectors like heavy engineering, defence & power,, etc. Its key domestic customers include Bharat Forge, Larson and Tubro, Mahindra Defence Systems Limited, Adani Defence and Aerospace, etc.

Healthy debt protection & financial risk profile

EBITDA margin and PAT margin stood at 13.68% and 5.55% in FY21 (12.80% and 3.73% in FY20) backed by increase in project margin earnings, supported by other cost cutting actions taken by the company. Moving forward, by FY22 the company's overall operating income and profitability is expected to improve further.

The company's capital structure stands moderate backed by net worth of INR29.15 Crore as on March 31, 2021. The company has maintained a long term debt equity ratio and overall gearing ratio of 0.18 and 0.44 respectively as on March 31, 2021. The total indebtedness of the company as reflected by TOL/TNW stood as 0.45x as on March 31, 2021.

FY21 Financials are Provisional.

Key Rating Weaknesses

Small scale of operation; albeit improving



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The scale of operations of the company stands small although improving. The revenue has income has progressed to INR33.98 Crore in FY21 from INR25.79 Crore in FY20, reflecting y-o-y revenue growth of ~30%.

The company has unexecuted order book which stood at ~INR32 Crore as on July 2021, which is to be executed by FY22-23 providing revenue visibility over near term.

Elongated working capital cycle

Working capital requirements are high as reflected by operating cycle of 259 days as on March 31, 2021 (P) which is majorly driven by debtors of 238 days and inventory of 60 days. The working capital cycle is high partly due to year-end phenomenon as major part of the revenue usually recorded in Q4 of closing fiscal year. Generally, the products company make require large number of critical tests to be done before execution and it takes 03-12 months to execute these orders depending on the type of systems and sub-systems. Additionally, execution can get delayed in getting client clearances. The Company's overall working capital cycle days thus remains moderately high. With increasing revenues, the incremental working capital requirements will remain high and management of the same will be key monitorable.

Tender based nature of business

Despite PPPL having well-diversified product profile with differential profitability varying according to the products, its business performance is entirely dependent on the nature of tender received from its customers, owing which both scale and profitability are expected to remain volatile.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

The liquidity ratios of the company remained comfortable with current ratio at 3.27x & quick ratio at 2.97x as on March 31, 2021 (P). The company is expected to generate sufficient cash accruals on the back of steady increase in operations as against the scheduled debt repayment. The company had cash & cash equivalents (including FD) of INR3.75 Crore as on



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31 March 2021(FY20: INR3.44 Crore). Fund based working capital utilisation stands comfortable at ~53% for the last 12 months ended July 31, 2021.

About the Company-

Precision Power Products (I) Pvt. Ltd. is an ISO 9001:2015 certified SME (Tier I manufacturers) company established in 1991. The company is engaged in manufacturing of power electronic products, defence applications, heavy fabrication of structures, press parts for electric assemblies and automobiles. The operational profile of the company comprises of research and development of equipment for the defence sector. The company has successful track record of developing number of equipment, systems & sub-systems for Military application.. The company's manufacturing set- up is located at MIDC Waluj, Aurangabad. In order to strengthen its customer base, the company has branch offices situated at Aurangabad, Mumbai, Delhi, Pune, Bangalore, Hyderabad and Visakhapatnam.

Financials: Standalone

For the year ended/ As On	(Rs. crore)		
	31-03-2019 (Audited)	31-03-2020 (Audited)	31-03-2021 (Provisional)
Total Operating Income	34.66	25.79	33.98
EBITDA	4.84	3.30	4.65
PAT	1.35	0.98	1.89
Total Debt	4.86	6.37	5.26
Tangible Net-worth	20.31	27.26	29.15
Ratios			
EBITDA Margin (%)	13.98	12.80	13.68
PAT Margin (%)	3.87	3.73	5.55
Overall Gearing Ratio (x)	0.51	0.57	0.44

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: CARE Rating in its press release dated June 7, 2021 has migrated the rating of the bank facilities of Precision Power Products (India) Private Limited to "Issuer Not Cooperating" category.

Any other information: N.A.

Rating History for last three years:

Name of Instrument/	Current Rating (Year 2021-22)	Rating History for the past 3 years
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Sl. No.	Facilities	Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Facility – Cash Credit	Long Term	7.50	IVR BB+/Stable	--	--	--
2.	Long Term Fund Based Facility – Term Loan	Long Term	1.91	IVR BB+/Stable	--	--	--
3.	Short Term Non-Fund Based Facility – Bank Guarantee	Short Term	15.50	IVR A4+	--	--	--
4.	Proposed Long Term Fund Based Facility	Long Term	0.39	IVR BB+/Stable			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	-	-	-	7.50	IVR BB+/Stable
Long Term Fund Based Facility – Term Loan	-	-	Up to January, 2025	1.91	IVR BB+/Stable
Short Term Non-Fund Based Facility – Bank Guarantee	-	-	-	15.50	IVR A4+
Proposed Long Term Fund Based Facility	-	-	-	0.39	IVR BB+/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/precision-power-lenders-25aug21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1	Cash Credit	Simple
2	Term Loan	Simple
3	Bank Guarantee	Simple
4	Proposed Long Term Fund Based Facility	Simple