



Pradeep Metals Limited

Manufacturers of Precision Closed Die Forgings

PML/SE/2017-18/036

10th January, 2018

The Secretary,
BSE Limited
P J Towers,
Dalal Street,
Mumbai-400 001

Dear Sir / Madam,

Scrip Code: 513532
Sub: Intimation of Revision in Ratings.

Pursuant to Part A of Schedule III of Regulation 30 of the Securities and Exchange Board of India, (Listing Obligations and Disclosure Requirements) Regulations, 2015 we hereby inform you that CRISIL Limited ("CRISIL") has revised (downgraded) its ratings on the Bank facilities of the Company as follows:

Total Bank Loan Facilities Rated	Rs. 96 Crore (enhanced from Rs.85 Crore)
Long Term Rating	CRISIL BB+/Negative (Downgraded from 'CRISIL BBB/Negative')
Short Term Rating	CRISIL A4+ (Downgraded from 'CRISIL A3+')

The Rating Rationale of CRISIL dated 9th January, 2018 for revision in credit rating is enclosed.

This is for your information and record.

Thanking you,

Yours Truly,
For Pradeep Metals Limited

Suchita Singh

Suchita Singh
Company Secretary



Ratings

Rating Rationale

January 09, 2018 | Mumbai

Pradeep Metals Limited

Rated amount enhanced

Rating Action

Total Bank Loan Facilities Rated	Rs.96 Crore (Enhanced from Rs.85 Crore)
Long Term Rating	CRISIL BB+/Negative (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 'CRISIL BB+/Negative/CRISIL A4+' ratings on the bank facilities of Pradeep Metals Limited (PML; part of the PML group).

On January 8, 2018 CRISIL had downgraded its ratings on the bank facilities of group to 'CRISIL BB+/Negative/CRISIL A4+' from 'CRISIL BBB/Negative/CRISIL A3+'.

The downgrade reflects significant deterioration in the group's liquidity position marked by highly utilized bank limits, tightly matched cash accruals to repayment obligations and overdue bills albeit for less than 30 days. Continued losses in its USA subsidiary and elongated working capital cycle has resulted in higher than expected weakening of the liquidity profile. With large repayments obligations in the near to medium term, adequate cushion in net cash accruals is very sensitive to a minor deterioration of its profitability. CRISIL believes that the group's liquidity will remain stretched over the medium term, until its profitability improves significantly and working capital debt requirements reduce.

The ratings continue to reflect the promoters' experience and established customer relationship in the forging industry. These rating strengths are partially offset by moderate financial risk profile and working capital-intensive operations.

Analytical Approach

For arriving at the ratings, CRISIL has combined the business and financial risk profiles of PML, its 100% subsidiary ' Pradeep Metals Limited Inc., USA and its step-down subsidiary ' Dimensional Machine works LLC (DMW, together referred to as the PML group).

Key Rating Drivers & Detailed Description

Strengths

*** Promoters' experience and established customer relationship in the forging industry:** Promoter Mr Pradeep Goyal, has over three decades of experience in this industry. Promoters experience along with ability to ensure just-in-time delivery and supply customised components in small lots, group has developed a healthy relationship with its large and reputed customers like Flowserve US Inc., Rosemount Inc., Alfa Laval amongst others.

Weakness

*** Moderate financial risk profile:** The group has a leveraged capital structure with a gearing of over 2.5 times as on March 31, 2017 and weak interest coverage at 1.86 times for fiscal 2017.

*** Working capital-intensive operations:** Gross current assets increased to around 254 days as on March 31, 2017 from 220 days as on March 31, 2016. The working capital intensity is driven by sizeable inventory holding period (106 days as on March 31, 2017) and moderate debtors (121 days as on March 31, 2017), operations are expected to remain working capital intensive over the medium term.

Outlook: Negative

CRISIL believes the PML group's liquidity is likely to remain under pressure over the medium term from its large repayments. The rating may be downgraded if profitability declines further or stretch in working capital, leading to deterioration in financial risk profile particularly liquidity and debt protection metrics. The outlook may be revised to 'Stable' if revenue and profitability improves significantly and on a sustainable basis, leading to better liquidity.

About the Group

Incorporated in 1982, PML manufactures intricate closed-die stainless, alloy, and carbon steel forgings as finished and semi-finished machined components for sectors such as oil and gas, petrochemicals, and general engineering. The manufacturing facility is in Navi Mumbai, Maharashtra. It caters to both the domestic as well as overseas markets.

During 2013-14, PML had set up its 100% subsidiary Pradeep Metals Ltd Inc. USA, in order to identify new potential customers

and facilitate growing exports to USA. DMW, which is a step down subsidiary of PML, is engaged in manufacturing of precision machined components.

Key Financial Indicators

Particulars	Unit	2017	2016
Revenue	Rs Cr.	131.98	143.07
Profit After Tax (PAT)	Rs Cr.	0.65	0.75
PAT Margins	%	0.49	0.52
Adjusted Debt/Adjusted Networkth	Times	2.6	2.36
Interest coverage	Times	1.86	1.69

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	3	CRISIL A4+
NA	Cash Credit	NA	NA	NA	15.5	CRISIL BB+/Negative
NA	Export Bill Purchase	NA	NA	NA	21	CRISIL A4+
NA	Foreign Exchange Forward	NA	NA	NA	1.53	CRISIL A4+
NA	Long Term Loan	NA	NA	Mar-2022	33.86	CRISIL BB+/Negative
NA	Packing Credit in Foreign Currency	NA	NA	NA	21	CRISIL A4+
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	0.11	CRISIL BB+/Negative

Annexure - Rating History for last 3 Years

Instrument	Current			2018 (History)		2017		2016		2015		Start of 2015
	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	93	CRISIL BB+/Negative/ CRISIL A4+	08-01-18	CRISIL BB+/Negative/ CRISIL A4+	12-01-17	CRISIL BBB/Negative/ CRISIL A3+		No Rating Change	14-09-15	CRISIL BBB/Positive/ CRISIL A3+	Suspended/ Suspended
Non Fund-based Bank Facilities	LT/ST	3	CRISIL A4+	08-01-18	CRISIL A4+		No Rating Change		No Rating Change		No Rating Change	Suspended

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
Bank Guarantee	3	CRISIL A4+	Bank Guarantee	3	CRISIL A4+
Cash Credit	15.5	CRISIL BB+/Negative	Cash Credit	15.5	CRISIL BB+/Negative
Export Bill Purchase	21	CRISIL A4+	Export Bill Purchase	21	CRISIL A4+
Foreign Exchange Forward	1.53	CRISIL A4+	Long Term Loan	23	CRISIL BB+/Negative
Long Term Loan	33.86	CRISIL BB+/Negative	Packing Credit in Foreign Currency	21	CRISIL A4+

Packing Credit in Foreign Currency	21	CRISIL A4+	Proposed Long Term Bank Loan Facility	1.5	CRISIL BB+/Negative
Proposed Long Term Bank Loan Facility	.11	CRISIL BB+/Negative	--	0	--
Total	96	--	Total	85	--

Links to related criteria
[CRISILs Approach to Financial Ratios](#)
[CRISILs Bank Loan Ratings - process, scale and default recognition](#)
[Rating criteria for manufacturing and service sector companies](#)
[CRISILs Criteria for rating short term debt](#)
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Last updated: April 2016

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1/10/2018

Rating Rationale

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