PERMANENT MAGNETS LIMITED

B-3, MIDC, Village Mira, Mira Road (East), Thane - 401107, Maharashtra, India

Phone : +91-22-68285454 Facsimile : +91-22-29452128 Email : sales@pmlindia.com Website : www.pmlindia.com

Date : 20th February, 2023

To,
Corporate Relation Department
The Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Tower,
Dalal Street, Mumbai - 400 001

Sub: Credit Rating Update

Ref : Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Security Code : 504132

Dear Sir/Madam,

Attached herewith Credit Rating Letter issued by Acuité Ratings & Research Limited along with their Press Release.

We request you to take note of the above pursuant to Regulation 30 of SEBI (LODR) Regulations, 2015.

Thanking you,

Yours Faithfully,

FOR PERMANENT MAGNETS LIMITED

RACHANA PARESH SAWANT

Digitally signed by RACHANA PARESH SAWANT
Date: 2023.02.20 14:13:47 +05'30'

RACHANA RANE
COMPANY SECRETARY

Rating Letter - Intimation of Rating Action

Letter Issued on: February 17, 2023
Letter Expires on: March 04, 2024
Annual Fee valid till: March 04, 2024

Scan this QR Code to verify authenticity of this rating

Permanent Magnets Limited
Harsh Avenue, 302, 3rd Floor, Opposite Silvassa
Police station, Silvassa Vapi Main Road,
Silvassa, DN-396230.

Kind Attn.: Mr. Sukhmal Jain, CFO (Tel. No. 8591941682)

Dear Mr. Jain,

Sub.: Rating(s) Upgraded - Bank Loans / Debt Instruments of Permanent Magnets Limited

Please note that the current rating(s) and outlook, instrument details, and latest rating action for the aforementioned instrument are as under:

	Long Term Instruments	Short Term Instruments
Total Rated Quantum (Rs. Cr.)	16.86	17.62
Quantum of Enhancement (Rs. Cr.)	Not applicable	Not applicable
Rating	ACUITE BB+	ACUITE A4+
Outlook	Stable	Not applicable
Most recent Rating Action	Upgraded	Upgraded
Date of most recent Rating Action	February 17, 2023	February 17, 2023
Rating Watch	Not applicable	Not applicable

Acuité reserves the right to revise the ratings, along with the outlook, at any time, on the basis of new information, or other circumstances which Acuité believes may have an impact on the ratings. Such revisions, if any, would be appropriately disseminated by Acuité as required under prevailing SEBI guidelines and Acuité 's policies.

This letter will expire on March 04, 2024 or on the day when Acuité takes the next rating action, whichever is earlier. It may be noted that the rating is subject to change anytime even before the expiry date of this letter. Hence lenders / investors are advised to visit https://www.acuite.in/ OR scan the QR code given above to confirm the current outstanding rating.

Acuité will re-issue this rating letter on March 05, 2024 subject to receipt of surveillance fee as applicable. If the rating is reviewed before March 04, 2024, Acuité will issue a new rating letter.

Suman Chowdhury

Suman Chowdhury
Chief Analytical Officer

Annexures: A. Details of the Rated Instrument
B. Details of the rating prior to the above rating action

Annexure A. Details of the rated instrument

Bank	Facilities	Scale	Prev. Amt.	Revised Amt.	Ratings	Rating Action
Fund Based Facilities						
Central Bank of India	Cash Credit	Long Term	4.68	4.68	ACUITE BB+/ Stable	Upgraded
State Bank of India	Cash Credit	Long Term	3.82	3.82	ACUITE BB+/ Stable	Upgraded
State Bank of India	Term Loan	Long Term		6.50	ACUITE BB+/ Stable	Upgraded
Not Applicable	Proposed Bank Facility	Long Term	8.36	1.86	ACUITE BB+/ Stable	Upgraded
Total Fund Based Facilities			**16.86**	**16.86**		
Non-Fund Based Facilities						
Central Bank of India	Letter of Credit	Short Term	8.44	11.4	ACUITE A4+	Upgraded
State Bank of India	Letter of Credit	Short Term	2.96	4.00	ACUITE A4+	Upgraded
Not Applicable	Proposed Bank Facility	Short Term	6.22	2.22	ACUITE A4+	Upgraded
Total Non-Fund Based Facilities			**17.62**	**17.62**		
Total Facilities			**34.48**	**34.48**		

Annexure B. Details of the rating prior to the above rating action

	Long Term Instruments	Short Term Instruments
Previous Rated Quantum	16.86 Cr.	17.62 Cr.
Rating	ACUITE C	ACUITE A4
Outlook	Not applicable	Not applicable

DISCLAIMER

An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy , sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité , in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings.Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité , Acuité 's rating scale and its definitions.

Press Release

Permanent Magnets Limited

February 17, 2023

Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.86	ACUITE BB+ | Stable | Upgraded	-
Bank Loan Ratings	17.62	-	ACUITE A4+ | Upgraded
Total Outstanding Quantum (Rs. Cr)	34.48	-	-

Rating Rationale

Acuité has upgraded the long-term rating to **'ACUITE BB+' (read as ACUITE double B plus)** from **'ACUITE C' (read as ACUITE C)** and the short-term rating to **'ACUITE A4+' (read as ACUITE A4 plus)** from **'ACUITE A4' (read as ACUITE A four)** on the Rs. 34.48 crore bank facilities of Permanent Magnets Limited (PML).
The outlook is **'stable'.**

Rationale for upgrade

The rating has been upgraded basis the improvement in operating performance of the company, healthy financial risk profile and timely servicing of debt obligations. The operating income grew at a compounded annual growth rate (CAGR) of 6.76% over the last three years through FY2022. The firm in the current year has already recorded revenue of Rs.80 crore till September 2022 i.e., 62.02% percent of the company's operating income in FY2022. The operating profitability has remained stable between 21.50-23 percent during the period FY2020 – FY2022. However, the rating remains constrained on account of the working capital intensive nature of operations.

About the Company

Mumbai based, PML was incorporated in the year 1960, by Mr. Kantilal Morarji Desai, which was sold off to Taparia Group in the year 1965. It is the flagship company of the Group. PML is engaged in manufacturing of Alnico (Aluminium, Nickel and Cobalt) Magnets & Magnetic assemblies, parts and accessories of Electricity Meters, Gas Meters and Electrical vehicles. The company has its manufacturing facility at Mira road, Mumbai and is currently promoted and managed by Taparia family

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of PML to arrive at this rating

Key Rating Drivers

Strengths

Experienced management and established track record of operations

PML is in operations since 1960 and has market presence in India as well as the USA, Europe and Brazil. The Promoters, Mr. Sharad Taparia (Managing Director), Mr. Mukul Taparia (Non-Executive Director) and Ms. Sunaina Taparia (Non-Executive Director) have more than five decades of experience in the magnet industry. The promoters are assisted by the second line of management who are well experienced in the industry. On the back of the experienced management, the company has been able to maintain its long-term association with customers and suppliers with the few of the customers been associated for more than two to three decades.

The operating income of PML stood at Rs.129.75 crore in FY2022 as against Rs.116.81 crore in FY2021. Further, the company already achieved Rs.80.54 crore for 9MFY2023 till September 2022. The operating margin of the company improved to 22.76% in FY2022 as against 21.85% in FY2021. Further, the operating margin for 9MFY2023 stood at 22.80%

Acuité expects the company to continue benefiting from its established market presence and healthy relationship with customers and suppliers in the long run.

Healthy financial risk profile

The financial risk profile of the company is healthy marked by moderate net worth, comfortable coverage ratios and low gearing ratio. The company follows a conservative leverage policy as reflected in the gearing level of the company of 0.08 times as on March 31, 2022 as and as on March 31, 2021.The total debt of the company which stood at Rs. 6.32 crore includes long term debt of Rs. 3.28 crore and Rs. 1.01 crore of working capital borrowings. The company's net worth increased to Rs.82.08 crore as on March 31, 2022 as against Rs.63.82 crore as on March 31, 2021. Total outside liabilities to total net worth (TOL/TNW) stood at 0.39 times as on FY2022 as against 0.44 times as on FY2021. Further, the interest coverage ratio improved to 33.85 times for FY2022 as against 25.09 in FY2021. The debt service coverage ratio improved to 25.36 times for FY2022 as against 18.13 times for FY2021.

The company is planning a capex of Rs. 35 crore which is expected to be funded by bank loan of Rs.21.00 crore and Internal Accruals of Rs. 14.00 crore. Out of the total debt required, the debt tie-up has been done of Rs.6.50 crore as on date. The capex planned is expected to be incurred towards setting up of building and factory at one location. With respect to the concerned capex, cost incurred till date is Rs. 4.00 crore towards the purchase of land which was sourced through internal accruals.

Acuite expects that the company's ability of completing the capex while maintaining its financial risk profile without any time and cost overruns will remain a key rating monitorable.

Weaknesses

Working capital intensive nature of operations

The operations of the company are of working capital intensive nature marked by high GCA days of 233 days for FY2022 as against 198 days for FY2021. The high GCA days are on account of high inventory levels of 136 days for FY2022 compared against 84 days for FY2021. The debtor days are moderate and stood at 106 days for FY2022 against 107 days for FY2021. The creditor days of the company stood at 142 days for FY2022 as against 136 days for FY2021. The fund based working capital limits are almost unutilised, however the non-fund based limits are fully utilised for the last twelve months as on October 2022.

Highly competitive and fragmented industry

The company is exposed to intense competition from organized as well as unorganized players in the industry. PML is exposed to volatility in the prices of raw materials and foreign exchange fluctuations can have an impact on the margins of the company. However, the company has a natural hedge which will mitigate the forex risk to some extent.

Rating Sensitivities

- Timely completion of capex without cost overrun
- Any further elongation of working capital cycle

Material covenants

None

Liquidity Position

Adequate

PML has an adequate liquidity marked by adequate net cash accruals as against its maturing debt obligations. The company generated cash accruals of Rs.23.10 crore for FY2022 as against repayment obligations of Rs.2.00 crore. Going forward the company is expected to generate net cash accruals in the range of Rs.32.00-Rs.36.00 crore as against negligible repayment obligations. The company maintained unencumbered cash and bank balances of Rs.0.67 crore as on 31 March 2022. The fund based working capital limits are almost unutilised, however the non-fund based limits are fully utilised for the last twelve months as on October 2022.

Outlook: Stable

Acuite believes that PML will maintain a "stable" outlook in the medium term and will continue to benefit over the medium term due to its experience management. The outlook may be revised to "Positive" if the company demonstrates substantial and sustained growth in its revenues and/or operating margins from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to "Negative", if company generates lower-than anticipated cash accruals thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	129.75	116.81
PAT	Rs. Cr.	19.05	16.14
PAT Margin	(%)	14.68	13.82
Total Debt/Tangible Net Worth	Times	0.08	0.08
PBDIT/Interest	Times	33.85	25.09

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

Not Applicable

Any other information

None

Applicable Criteria

• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Entities In Manufacturing Sector:- https://www.acuite.in/view-rating-criteria-59.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Dec 2021	Letter of Credit	Short Term	8.44	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	2.96	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	4.68	ACUITE C (Reaffirmed)
	Proposed Bank Facility	Short Term	6.22	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	3.82	ACUITE C (Reaffirmed)
	Proposed Bank Facility	Long Term	8.36	ACUITE C (Reaffirmed)
22 Sep 2020	Letter of Credit	Short Term	11.40	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	0.72	ACUITE C (Withdrawn)
	Proposed Bank Facility	Long Term	1.86	ACUITE C (Reaffirmed)
	Proposed Bank Facility	Short Term	2.22	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	6.75	ACUITE C (Reaffirmed)
	Cash Credit	Long Term	8.25	ACUITE C (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.82	ACUITE BB+ | Stable | Upgraded (from ACUITE C)
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.68	ACUITE BB+ | Stable | Upgraded (from ACUITE C)
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.40	ACUITE A4+ | Upgraded (from ACUITE A4)
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A4+ | Upgraded (from ACUITE A4)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.86	ACUITE BB+ | Stable | Upgraded (from ACUITE C)
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.22	ACUITE A4+ | Upgraded (from ACUITE A4)
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.50	ACUITE BB+ | Stable | Upgraded (from ACUITE C)

Contacts

Analytical	Rating Desk
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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.