June 04, 2024

Pamp Precision Manufacturing India Private Limited: [ICRA]A+(CE) (Stable)/ [ICRA]A1(CE) and [ICRA]BBB+ (Stable)/ [ICRA]A2 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Working Capital Facilities	15.00	[ICRA]A+(CE) (Stable), assigned
Short-term Non-fund based – Working Capital Facilities	10.00	[ICRA]A1(CE), assigned
Long-term/ Short-term Non-fund based – Interchangeable#	(4.00)	[ICRA]A+(CE) (Stable)/ [ICRA]A1(CE), assigned
Unallocated Limits	15.00	[ICRA]BBB+ (Stable)/ [ICRA]A2, assigned
Total	**40.00**	

Rating Without Explicit Credit Enhancement	**[ICRA]BBB+ (Stable)/ [ICRA]A2**

** Instrument details are provided in Annexure – 1*

 # Sub-limit of non-fund based working capital facilities

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement

Rationale

The CE ratings are based on the strength of the corporate guarantee provided by MMTC - PAMP India Private Limited (MPIPL), the parent of Pamp Precision Manufacturing India Private Limited (PPMIPL), for PPMIPL's rated bank lines. The ratings action on Rs. 25.00-crore bank facilities of PPMIPL follows the execution of the corporate guarantee deed by MPIPL in favour of the bank facilities of PPMIPL, covering all the attributes of a strong form of explicit third-party support as described in ICRA's methodology, Rating Approach – Explicit Third-Party Support.

For the [ICRA]A+(CE) (Stable)/ [ICRA]A1(CE) ratings

The above ratings are based on the strength of the corporate guarantee provided by MPIPL, the parent of PPMIPL, for the rated bank facilities of Rs. 25.00 crore. The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, MPIPL.

Adequacy of credit enhancement

The ratings of the instruments are based on the credit substitution approach whereby the ratings of the guarantor have been translated to the ratings of the said instruments. The corporate guarantee is legally enforceable, irrevocable, unconditional, and covers Rs. 25.00-crore bank facilities and tenure of the rated instruments and has a well-defined invocation and payment mechanism. Given these attributes, the guarantee provided by MPIPL is adequately strong to result in an enhancement in the ratings of the said instruments to **[ICRA]A+(CE)/ [ICRA]A1(CE)** against the ratings of [ICRA]BBB+/ [ICRA]A2 without explicit credit enhancement. In case the ratings of the guarantor change in future, the same would reflect in the ratings of the aforesaid instruments as well. The ratings of these facilities may also change if, in ICRA's assessment, there is a change in the strength of the business links between the guarantor and the rated entity, or there is a change in the reputation sensitivity or a change in the strategic importance of the rated entity to the guarantor.

Salient covenants of the rated facility

During the currency of the loan, the borrower will not, without prior written consent of the lender, (a) change constitution/ composition or undertake or permit any merger, de-merger, amalgamation, consolidation, restructuring, reorganisation, winding up, liquidation, dissolution; (b) avail any fresh loan, (c) undertake any new project or any expansion, diversification, modernisation which are material in nature, (d) make any investments or provide any guarantee, indemnity or similar assurance, (e) make any change in the ownership/ control/ management.

For the [ICRA]BBB+ (Stable)/ [ICRA]A2 ratings

PPMIPL's ratings also factor in the benefits derived from its strong parentage in the form of the continued operational synergies and financial flexibility. ICRA expects that MPIPL will continue to maintain comfortable operating and financial performances over the medium term on the back of its established market position in the domestic gold refining industry and favourable long-term demand prospects for gold in India. The linkages of PPMIPL with its parent, MPIPL, would continue to remain strong.

The ratings are, however, constrained by PPMIPL's small scale of current operations and consistent cash losses incurred over the past years, leading to adverse capital structure and coverage indicators.

The Stable outlook on the long-term rating reflects ICRA's opinion that PPMIPL will continue to benefit from its strong operational and financial linkages with its parent, MPIPL. Also, timely financial assistance from its parent would continue to support its operations, as required.

Key rating drivers and their description

Credit strengths

Strong credit profile of the parent; demonstrated financial assistance to support operations – PPMIPL is a wholly-owned subsidiary of MPIPL, which has a strong operational and managerial linkages with its parent, MKS PAMP Group, which is among the largest refiners and traders of precious metals in the world, based out of Switzerland. MPIPL is the largest gold refiner in India with a volume output of more than 70 TPA for the last two years, accounting for ~10% of total gold imported in the country. The company's superior scale of operations and strong market share are likely to benefit its business through economies of scale. PPMIPL benefits from the continued operational synergies and financial flexibility offered by its strong parentage. Apart from equity investment, MPIPL has been extending loans/ advances (~Rs. 50 crore as on March 31, 2024) to PPMIPL to support its operations.

Unconditional and irrevocable corporate guarantee extended by the parent company – MPIPL has provided a legally enforceable, unconditional and irrevocable corporate guarantee for the bank limits, which cover Rs. 25 crore fund-based and non-fund based working capital facilities of PPMIPL. Also, the credit enhancement is in the form of the corporate guarantee provided by MPIPL for PPMIPL's working capital facilities, which reinforces the commitment of the former.

Credit challenges

Small scale of current operations – PPMIPL commenced its operations with manufacturing of electrical contacts in FY2022. In FY2024, the company diversified its line of business into refining/ recovery/ processing of precious metals, primarily gold from various inputs like sludge, ashes and sweeps, e-waste etc. The scale of operations of the company has remained small. The company is in the process of dissolution of its electrical contacts manufacturing division. Nevertheless, in view of favouarable demand and technical expertise of the Group in refining of gold, the scale of operations of the company is likely to grow up gradually, going forward.

Consistent cash losses incurred over the past years – ICRA notes that PPMIPL has been incurring cash losses over the past years. With increasing scale of operations and improving operating efficiency, the profitability of the company is likely to witness a gradual improvement, going forward.

Weak credit profile, characterised by adverse capital structure and coverage indicators – On account of consistent losses reported over the past years, the capital structure and coverage metrics of PPMIPL remained adverse. However, the same are likely to improve in view of increasing scale along with improvement in the profitability.

Liquidity **position**

For the [ICRA]A+(CE) (Stable)/ [ICRA]A1(CE) ratings: Adequate

The liquidity position of the guarantor, MMTC - PAMP India Private Limited, is adequate, characterised by healthy free cash and liquid investments of more than Rs. 300 crore as on December 31, 2023. ICRA expects the company, on a consolidated basis, to generate cash flow from operations worth ~Rs. 400 crore in FY2024, primarily due to gains in the form of savings in customs duty on import of gold dore, and Rs. 70-80 crore p.a. thereafter. The company has repaid the outstanding term loan in full in January 2024 and has debt repayment obligation of ~Rs. 1 crore p.a. (including lease liabilities) and maintenance capex requirements of ~Rs. 15 crore p.a. The average utilisation of fund-based and non- fund-based limits stood at ~46% in the 12-month period ending on December 31, 2023, indicating a healthy buffer.

For the [ICRA]BBB+ (Stable)/ [ICRA]A2 ratings: Stretched

PPMIPL generated negative cash flow from operations over the past years, which is likely to continue in the near term, at least. The average utilisation of the working capital limits remained at around 42% during the last 12 months, ended in March 2024. The company has debt repayment obligations of Rs. 5-6 crore towards lease liabilities and normal capex of Rs. 3-4 crore in the near term. The company would remain dependent on external financing from its parent to address its cash flow shortfall in the near term.

Rating sensitivities

For the [ICRA]A+(CE) (Stable)/ [ICRA]A1(CE) ratings

The above rating(s) assigned to the Rs. 25.00-crore bank facilities would remain sensitive to any movement in the rating(s) or outlook of the guarantor, MMTC - PAMP India Private Limited.

For the [ICRA]BBB+ (Stable)/ [ICRA]A2 ratings

Positive factors – A sustained improvement in the top line and profitability, favourably impacting the capital structure, debt coverage metrics and liquidity of the company may lead to a rating upgrade. An improvement in the credit profile of the guarantor, MMTC - PAMP India Private Limited, may also result in an upgrade in PPMIPL's ratings.

Negative factors – Reduced operational and financial linkages of the company with the guarantor, MMTC - PAMP India Private Limited, or a deterioration in the credit profile of MPIPL may lead to a downgrade of PPMIPL's ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	ICRA has considered implicit and explicit support from its parent company MMTC - PAMP India Private Limited (MPIPL, rated at [ICRA]A+ (Stable)/ [ICRA]A1). MPIPL has provided a legally enforceable, unconditional and irrevocable corporate guarantee for the bank facilities of PPMIPL.

Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of PPMIPL.

About the company

Pamp Precision Manufacturing India Private Limited (PPMIPL) was incorporated in 2020, as a wholly-owned subsidiary of MMTC - PAMP India Private Limited (MPIPL). The company commenced its operations with the manufacturing of electrical contacts/ silver wire/ anodes in FY2022. In FY2024, the company diversified its business into refining/ recovery/ processing of precious metals from various inputs like sludge, ashes and sweeps, e-waste etc. Accordingly, the management decided to close its electrical contacts manufacturing division. The manufacturing facilities of the company are located in Haryana.

About the guarantor

MMTC – Pamp India Private Limited is a joint venture between MMTC Limited (owing a 26% stake; a mini-ratna PSU) and PAMP Ventures SA (holding a 72.65% stake; a part of the MKS PAMP Group). The company is the largest refiner of gold and silver in India with a capacity to process 300 metric tonnes per year of gold, 600 metric tonnes per year of silver and mint 25 lakh coins per year. It is the only refiner in India to have 'Good Delivery' accreditation for gold and silver by the London Bullion Makers Association.

Key financial indicators – company (audited)

PPMIPL, Standalone	FY2022	FY2023	FY2024*
Operating income	1.2	27.0	13.7
PAT	-3.3	-12.7	-20.8
OPBDIT/OI	-154.8%	-21.3%	-6.6%
PAT/OI	-269.2%	-47.2%	-151.4%
Total outside liabilities/Tangible net worth (times)	6.8	-9.9	-3.4
Total debt/OPBDIT (times)	-17.0	-8.9	-89.2
Interest coverage (times)	-1.6	-1.7	-0.2

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Key financial indicators – guarantor (audited)

MPIPL, Consolidated	FY2022	FY2023	9M FY2024*
Operating income	29,278	31,532	28,055
PAT	42	106	331
OPBDIT/OI	0.7%	0.8%	1.8%
PAT/OI	0.1%	0.3%	1.2%
Total outside liabilities/Tangible net worth (times)	8.6	7.4	-
Total debt/OPBDIT (times)	6.2	8.8	-
Interest coverage (times)	3.0	2.6	7.6

*Source: MMTC – Pamp India Private Limited, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; NA – Not Available; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation. * Provisional numbers*

Note: LC-backed creditors have been reclassified as borrowings.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2024 (Rs. crore)	Date & Rating in	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
					Jun 4, 2024	-	-	-
1	Fund-based – Working Capital Facilities	Long-term	15.00	5.83	[ICRA]A+(CE) (Stable)	-	-	-
2	Non-fund based – Working Capital Facilities	Short-term	10.00	-	[ICRA]A1(CE)	-	-	-
3	Non-fund based Limits – Interchangeable#	Long-term/ short-term	(4.00)	-	[ICRA]A+(CE) (Stable)/ [ICRA]A1(CE)	-	-	-
4	Unallocated Limits	Long-term/ short-term	15.00	NA	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-

 # Sub-limit of Letter of Credit

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term fund-based – Working Capital Facilities	Simple
Short-term non-fund based – Working Capital Facilities	Very Simple
Long-term/ Short-term non-fund based – Interchangeable	Very Simple
Unallocated Limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN No.	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. Crore)	Current Rating and Outlook
NA	Cash Credit/ WCDL/ FCDL	-	-	-	15.00	[ICRA]A+(CE) (Stable)
NA	Letter of Credit	-	-	-	10.00	[ICRA]A1(CE)
NA	Bank Guarantee#	-	-	-	(4.00)	[ICRA]A+(CE) (Stable)/ [ICRA]A1(CE)
NA	Unallocated Limits	-	-	-	15.00	[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: Pamp Precision Manufacturing India Private Limited

 # Sub-limit of Letter of Credit

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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