

Pricol Limited

Instruments	Amounts (Rs. crore ¹)	Rating action
Long-term - fund based facilities	130.00 (revised from 87.00)	[ICRA]A- (Stable)
Long-term - term loan	47.50 (revised from 50.00)	reaffirmed
Short-term - non fund based facilities	61.00 (revised from 59.00)	[ICRA]A2+ reaffirmed
Short-term - fund based facilities	Nil (revised from 19.00)	
Long term / short term - non fund based (sub-limit) facilities	(224.00) [revised from 72.00]	[ICRA]A- (Stable)
Long term / short term - proposed	36.39 (revised from 59.89)	/[ICRA]A2+ reaffirmed

ICRA has reaffirmed the long-term rating outstanding on the Rs.130.00 crore fund based facilities (revised from Rs. 87.00 crore) and Rs.47.50 crore term loan facilities (revised from Rs. 50.00 crore) of Pricol Limited (Pricol / the company)² at [ICRA]A- (pronounced ICRA A minus). The outlook on the long-term rating is stable. ICRA has also reaffirmed the short-term rating outstanding on the Rs.61.00 crore non fund-based facilities (revised from Rs. 59.00 crore) of Pricol at [ICRA]A2+ (pronounced ICRA A two plus). Further, ICRA has also reaffirmed the ratings of [ICRA]A-(Stable)/[ICRA]A2+ outstanding on Rs.224.00 crore long-term/short-term non-fund based sub-limit facilities (revised from Rs.72.00 crore) and the Rs.36.39 crore (revised from Rs.59.89 crore) long-term/ short-term proposed facilities.

The reaffirmation of ratings takes into account Pricol's established market position as the primary supplier of Instrument clusters (IC) to two-wheeler (2W) OEM's, its well-diversified product and customer mix, and its conservative capital structure. The company has a long-standing association with reputed OEM's such as Hero MotoCorp Limited ([ICRA]AAA/ Stable/ [ICRA]A1+), TVS Motors Limited and Baja Auto Limited and enjoys healthy share of business (~25% in the 2W industry) in the IC segment. The ratings also consider the diversified revenue profile of the company with 2W segment accounting for 44% of revenues followed by passenger vehicles (23%) and the rest from commercial vehicles (CV), tractors and mining and construction equipments (MCE) among others. The domestic 2W industry witnessed flat growth during 9m FY2016 (as against 8% YoY in FY2015) because of slump in rural demand and slow revival in economic activity; however, the company's standalone revenues grew by 9% (YoY) driven by healthy demand for fleet management (FMS) products from CV OEM's. With effect from October 01, 2015, the Government of India has mandated compulsory fitment of speed governors on all commercial vehicles. Pricol, being one of the early entrants in the FMS segment, witnessed healthy off-take of speed governors³ from leading CV OEM's during Q3 FY2016. Further, the sales momentum is likely to sustain over the next two-three years, given the healthy demand for these devices from OEM's, sizeable opportunities in the after-market segment and limited competition. Going forward, healthy share of business with leading OEM's, long-standing association and the increasing sales traction from new product segments are likely to support the company's growth prospects.

In re-affirming the ratings, ICRA takes note of the company's recent exit from loss-making subsidiary—Coimbatore Metal Works Limited (erstwhile Pricol Castings Limited) and turnaround in operational performance of 100% subsidiary - Pricol Pune Private Limited (erstwhile Johnson Controls Pricol Private Limited; [ICRA]A-(SO)/ Stable/ [ICRA]A2+(SO))-driven by new order wins and exit of non-profitable segments. The ratings are, however, constrained by weak performance of overseas subsidiaries viz., Pricol Do Brasil (Brazil) and PT Pricol Surya (Indonesia), which incurred cash losses during 9m FY2016 due to inadequate capacity utilization, high labour costs and interest burden. These loss-making overseas operations have dragged down the consolidated profitability leading to weakening of coverage metrics and liquidity profile. In order to revive the performance of subsidiaries, the management is taking steps to prune its cost structure by downsizing workforce in these entities. The cash losses during 9m FY2016 have been funded through periodic equity infusion from the parent (Rs.40.0 crore over the past one year); fund support is likely to continue over the near term, although management stated its intent to keep incremental support minimal. That said, any further losses in the

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

³ Speed governors limit the top speed of vehicles and protects the engine from damage due to excessive rotational speed



subsidiaries necessitating higher-than-expected fund support from the parent could adversely impact the company's consolidated credit profile, and would remain a key rating monitorable.

The ratings also consider the weak near term outlook for the company's export business owing to tepid global demand, intensifying competition in the domestic market and susceptibility of profit margins to foreign exchange fluctuation (however, the same is off-set to an extent by appropriate price variation clause with customers). Going forward, ability of the company to turnaround the operational performance of the overseas subsidiaries' and improve the company's market share with leading domestic OEM's thereby improving its profitability and debt-protection metrics would be key rating sensitivities.

Company Profile

Incorporated in 1972 as Premier Instruments Coimbatore Limited, the company was promoted by a group of Coimbatore based industrialists. Renamed Premier Instruments & Controls Limited in 1983 and Pricol Limited in 2004, the company which started as a manufacturer of dashboard instruments/instrument clusters has over the years, diversified into a light engineering company manufacturing a range of other products like oil pumps, disc brakes, sensors, industrial gauges, vehicle security system, cab tilting system, speed governors and park assist system among others. Product-wise, Instrument clusters accounts for around 64% of Pricol's standalone revenue (2014-15). The company caters to 2W, passenger vehicle, commercial vehicle, tractors and MCE. The company operates out of four factories; two in Coimbatore and one each in Gurgaon and Pantnagar.

In March 2012, the Company hived-off its plant in Pune into a 50:50 joint venture (JCPPL) with Johnson Controls Enterprises UK Limited (a wholly owned subsidiary of Johnson Controls Inc, USA). In April 2015, the company bought back the 50% stake from its JV partner for a consideration of Rs.20 crore. Subsequently, the company was renamed as Pricol Pune Private Limited ([ICRA]A-(SO)/ Stable/ [ICRA]A2+(SO)).

In April 2013, the Company hived-off parts of its Coimbatore and Manesar plant into a 49:51 joint venture with Denso Corporation under the entity Denso Pricol India Private Limited (DPIPL). In March 2015, the company divested its remaining 49% stake in DPIPL for a consideration of Rs.20.0 crore, effectively exiting this JV.

On December 01, 2014, Hon. High Court, Madras approved the scheme of amalgamation of Pricol Limited with Xenos Automotive Limited (Xenos) effective from the appointed date of January 1, 2014. Xenos was engaged in manufacturing and trading of vehicle security systems.

On February 03, 2015, Pricol acquired a Brazilian auto components manufacturer – Melling Do Brazil Componentes Automotivos Ltda, Brazil for one Brazilian Real; Melling is engaged in manufacturing variable oil flow pumps.

On January 26, 2016, Pricol divested its entire stake in the 100% subsidiary – Coimbatore Metal Works Limited (erstwhile Pricol Castings Limited) for sale consideration of Rs.13.0 crore.

Recent Results

According to unaudited results, for the nine months ended December 2015, Pricol (on standalone basis) has reported net profit of Rs. 21.2 crore on operating income of Rs. 748.3 crore.

For the financial year 2014-15, Pricol (on standalone basis) reported net loss of Rs. 18.0 crore on an operating income of Rs. 902.2 crore as against a net profit of Rs. 68.7 crore on operating income of Rs. 833.5 crore during 2013-14.

For the financial year 2014-15, Pricol (on consolidated basis) reported net loss of Rs. 35.7 crore on an operating income of Rs. 1095.8 crore as against a net profit of Rs. 16.6 crore on operating income of Rs. 1038.5 crore during 2013-14.

April 2016



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