



Pricol Limited

Instruments	Amount (Rs. crore)	Rating action
Term loan facilities	81.39	[ICRA]BBB (Stable) withdrawn
Long-term fund based facilities	117.00	Upgraded to [ICRA]BBB+ (Positive) from [ICRA]BBB (Stable)
Short-term non fund based facilities	85.00	Upgraded to [ICRA]A2+ from [ICRA]A3+
Short-term fund based facilities	1.20	[ICRA]A2+ Assigned
Short-term non fund based (Sub-limit) facilities	(20.00)	Upgraded to [ICRA]A2+ from [ICRA]A3+
Long term / short term unallocated facilities	71.69	[ICRA]BBB+(Positive)/[ICRA]A2+ Assigned

ICRA has upgraded the long-term rating outstanding on the Rs.117.00 crore fund based facilities of Pricol Limited ("Pricol" / "the Company")[†] from [ICRA]BBB (pronounced ICRA triple B) to [ICRA]BBB+ (pronounced ICRA triple B plus). The outlook on the long-term rating is positive. ICRA has also upgraded the short-term rating outstanding on the Rs.85.00 crore non fund based facilities and Rs.20.00 crore non-fund based interchangeable sub-limit facilities of Pricol from [ICRA]A3+ (pronounced ICRA A three plus) to [ICRA]A2+ (pronounced ICRA A two plus). ICRA has also assigned the rating of [ICRA]BBB+(Positive)/[ICRA]A2+ for the Rs.71.69 crore long-term/ short-term unallocated facilities and has assigned the rating of [ICRA]A2+ for the Rs.1.20 crore short-term fund based facilities.

ICRA has withdrawn the rating outstanding on Rs.81.39 crore term loans of the company since the said term loans have been fully repaid.

The upgrade in the ratings considers the improvement in the Company's capital structure and liquidity owing to cash inflow of Rs.41.7 crore (Post-tax) from the hive-off of part of its Coimbatore and Manesar plant (catering to OEMs with Japanese parentage), into a new joint venture company with Denso Corporation in April-2013. Denso Corporation was an erstwhile technology partner in Pricol and held around 12.5% stake in the company; Denso sold its entire stake in Pricol during the formation of the aforementioned JV. Funds generated from this hive off were utilised for prepayment of term loans. While this lead to an immediate improvement in capital structure and coverage indicators for Pricol in the current fiscal (2013-14), the joint venture (JV) with Denso also brings with it technological expertise and the future possibility of adding new customers through Denso's global linkages. The ratings also consider the relatively stable export performance of the company with addition of new customers, and the turnaround in the subsidiaries PT Pricol Surya, Indonesia, and Pricol Castings Limited. The ratings are also supported by Pricol's diversified presence across the two-wheeler, four-wheeler, Commercial vehicle and tractor segments, its healthy market share in instrument clusters (IC) and gradual improvement in industrial relations over the past three years.

While some residual impact of the labour unrest continue to hinder the business growth of the Company, an evident in the high employee strength and expenses, the company's operating profit margin which declined from 14.0% in 2009-10 to 7.7% in 2012-13, is expect to gradually improve going forward. While the company has renewed its focus on new product development with the Company entering into some newer models, the company's market share regain has been slow. Pricol plans to increase its share of business from the non-instrument cluster segment to increase share of higher margin products. The aforementioned increase in market share and operating margins has supported the positive outlook on the long-term rating.

* 100 lakh = 1 crore = 10 million

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



ICRA will continue to monitor the company's performance during the coming quarters, as the ratings remain sensitive to Pricol's dependence on the performance of the domestic automotive industry, ability to increase market share, movement in raw material prices and operating margins. Pricol also currently has significant overdue receivables from a group concern (~18% of total receivables as on March 31, 2013). The company proposes to recover the long-term receivables from Xenos fully over the medium-term.

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 speedometer cables, oil pumps, disc brakes, sensors, industrial gauges, vehicle security systems etc. Instrument clusters however still accounts for around 50% of Pricol's standalone revenue (2012-13).

Pricol has periodically entered into other technological agreements with global majors like Denso Corporation, Nippon Seiki Co. Ltd., Japan and M/s. Kojima Press Ind. Co. Ltd., Japan for other products. Operating out of six factories; two in Coimbatore, one in Gurgaon, two facilities in Pantnagar, and one facility in Indonesia (under a subsidiary), Pricol is one of the largest manufacturer of Instrument clusters (IC) and oil pumps in the country and supplies to all major automotive OEMs. In March 2012, the Company hived-off its plant in Pune into a 50:50 joint venture with Johnson Controls Enterprises UK Limited (a wholly owned subsidiary of Johnson Controls Inc, USA). In April 2013, the Company hived-off parts of its Coimbatore and Manesar plant into a 49:51 joint venture with Denso Corporation. Prior to investing in the joint venture Denso Corporation sold its entire 12.5% stake in Pricol Limited.

Recent Results

For 2012-13, Pricol (standalone) reported a net profit of Rs.14.7 crore on an operating income of Rs.830.4 crore. Pricol (Consolidated) reported a net profit of Rs.17.2 crore on an operating income of Rs.1,010.2 crore.

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