# Paloma Turning Co Private Limited

March 13, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term bank facilities | 69.74<br>(Enhanced from 40.03) | CARE BBB; Stable | Reaffirmed |
| Short-term bank facilities | 20.00 | CARE A3+ | Assigned |
| Short-term bank facilities | 45.00 | CARE A3+ | Reaffirmed |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

Ratings assigned to bank facilities of Paloma Turning Co Private Limited (PTCPL) continue to factor in sustained improvement in scale of operations, supported by its ability to absorb enhanced capacities being added every year. Ratings continue to derive strength from its experienced promoters, established relations with customers and suppliers, sustaining satisfactory profitability margins and operational efficiency, and the ability to pass on prices. Ratings also consider the promoters' tendency to enter debt-funded capex to cater increased demand. Ratings' strengths are partially offset by long operating cycle and profitability susceptible to raw material prices and forex fluctuations. Given the recent developments in US trade policies, the company's future performances need to be monitored closely as over half its sales are to the US.

## Rating sensitivities: Factors likely to lead to rating actions

### Positive factors

- Sustainably improving scale of operations over ₹400 crore while maintaining net worth base above ₹100 crore, return on capital employed (ROCE) above 20% and total outside liability to total net worth (TOL/TNW) less than 1.1x.

### Negative factors

- Major debt funded capex resulting in deteriorating overall gearing beyond 1.25x.
- Elongating operating cycle beyond 150 days.

## Analytical approach: Standalone

## Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings) expectation that the company will sustain growing its revenues from receiving repetitive orders from existing customers by its efforts to maintain high quality standards and continuous investment in technology upgrading activities, maintaining operational efficiency

## Detailed description of key rating drivers:

## Key strengths

### Consistently improving scale of operations

The company's scale of operations has improved consistently. Improving revenues are mainly contributed from addition in installed capacity and market absorption. In FY24, the company's total operating income (TOI) grew by 10% and stood at ₹171 crore from ₹155 crore in FY23. The company has been consistently maintaining its profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin at 17-19% despite being in a highly competitive industry. The management attributes this to high quality standard maintained and continuous investments in technology upgrades. Low rejection rate and maintaining timely delivery to customers has also helped in receiving repetitive orders while maintaining higher realisations. The company is also able to pass on raw material price fluctuation to its customers.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

**Moderate financial risk profile**
The company's overall gearing remained comfortable as on March 31, 2024, although it increased to 0.99x from 0.68x on March 31, 2023, due to higher working capital borrowings and term debt. The debt coverage indicators also showed a significant decline, with PBILDT interest coverage dropping to 6.61x in FY24 from 16.93x in FY23, primarily due to higher finance costs.

**Established customer base across countries lowering geographical concentration risk**
PTCPL's majority exports are to the USA, Denmark, Germany, and France, which contribute ~75-85% its export sales. Long-term association with its customers helps the company receive repeat orders, resulting in steady business growth over the years.

**Experienced promoters with long track record of operations**
Promoters Ajay Anjaria, Reena A Anjaria and Shashi Bhalla have an experience of over two decades in manufacturing precision components. The company has been in the present business for over two decades. Ajay Anjaria, chief executive officer (CEO), has experience of over 25 years in manufacturing and engineering components and manages the company's daily business activities. Reena A Anjaria, managing director, also has over two decades and manages corporate administration, human resources, and communication planning.

## Key weaknesses

**Long operating cycle**
PTCPL's working capital cycle further elongated at 143 days in FY24 (FY23: 124 days). Average collection period has increased from 108 days in FY23 to 125 days in FY24. The elongation can be attributed to increasing transit period and shortage in container availability. The company extends credit period of 90-120 days on its export sales and 60-90 days for domestic sales. The company is allowed credit period of 60-90 days for payment to its creditors and makes payment in 50 to 60 days. The company maintains an average inventory period of 45-50 days as raw material to manage production activities to match customers' requirements based on orders received.

**Profitability susceptible to raw material prices and forex fluctuations**
PTCPL's major raw materials include iron rods, steel, aluminium, and brass, prices of which are volatile. Fluctuations in raw material prices are largely negated, as the company passes on increased raw material costs to its customers, limiting impact on profitability margins. The company's established relationship with its customers and price negotiations happening on an ongoing basis, leading to stable PBILDT margins. However, with recent developments regarding USA's plans to impose tariffs on imported steel products, the company's profitability needs to be monitored as over half its sales are to the US region.
Since majority sales are exports, the company faces foreign exchange risk due to currency fluctuations, which has a direct impact on the company's profitability margins. Working capital borrowings are predominate packing credit loan in foreign currency (PCFC), which are left unhedged owing to foreign receivables.

**Project risk persists but company maintained higher capacity utilisation over the years**
The company is currently implementing capex worth ₹70 crore which is expected to be completed by FY26. Of which the company has incurred ₹59 crore till 9MFY25. With experience of promoters and the company's already established client base and relationship, the management expects ramp up in production levels as witnessed in past with year-over-year (y-o-y) increase in capacity utilisation levels.

## **Liquidity**: Adequate

The company has adequate liquidity characterised by sufficient cushion in accruals against repayment obligations and moderate cash and bank balance of ₹3.97 crore as on December 31, 2024. Its bank limits are utilised ~78% for 12-month ended December 2024. Working capital cycle is long at 143 days (PY: 125 days) with collection period of ~90-120 days. CARE Ratings believes the company's liquidity would continue to remain adequate in the medium term.

## Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Industrials | Capital goods | Industrial products | Other industrial products |

PTCPL was established in 2005 by Ajay Anjaria, Reena A Anjaria and Shashi Bhalla. The company is engaged in manufacturing precision casting and turning products, which include hydraulic and pneumatic fittings, automotive components, and components for refrigeration control, among others. The company has two manufacturing facilities at Jamnagar, Gujarat and Bengaluru, Karnataka.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | December 31, 2024 (UA) |
|---|---|---|---|
| Total operating income | 157.73 | 172.41 | 151.16 |
| PBILDT | 27.99 | 30.67 | 16.75 |
| PAT | 15.13 | 13.58 | NA |
| Overall gearing (times) | 0.68 | 0.99 | NA |
| Interest coverage (times) | 16.92 | 6.61 | NA |

A: Audited, UA: Unaudited, NA: Not Available; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** CRISIL continues to maintain ratings under "Issuer not cooperating" category vide its PR dated November 15, 2024, as the company did not share the information with the agency.

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated**: Annexure-4

**Lender details**: Annexure-5

## Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | - | - | - | - | 6.75 | CARE BBB; Stable |
| Fund-based - LT-Term Loan | - | - | - | July 2028 | 62.99 | CARE BBB; Stable |
| Fund-based - ST-Packing Credit in Foreign Currency | - | - | - | - | 45.00 | CARE A3+ |
| Fund-based - ST-Working Capital Demand loan | - | - | - | - | 20.00 | CARE A3+ |

## Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Fund-based - LT-Term Loan | LT | 62.99 | CARE BBB; Stable | - | 1)CARE BBB; Stable (01-Mar-24) | 1)CARE BBB; Stable (03-Mar-23) | 1)CARE BBB-; Positive (15-Feb-22) |
| 2 | Fund-based - LT-Cash Credit | LT | 6.75 | CARE BBB; Stable | - | 1)CARE BBB; Stable (01-Mar-24) | 1)CARE BBB; Stable (03-Mar-23) | 1)CARE BBB-; Positive (15-Feb-22) |
| 3 | Fund-based - ST-Packing Credit in Foreign Currency | ST | 45.00 | CARE A3+ | - | 1)CARE A3+ (01-Mar-24) | 1)CARE A3+ (03-Mar-23) | 1)CARE A3 (15-Feb-22) |
| 4 | Fund-based - ST-Working Capital Demand loan | ST | 20.00 | CARE A3+ | | | | |

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

## Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based - LT-Cash Credit | Simple |
| 2 | Fund-based - LT-Term Loan | Simple |
| 3 | Fund-based - ST-Packing Credit in Foreign Currency | Simple |
| 4 | Fund-based - ST-Working Capital Demand loan | Simple |

## Annexure-5: Lender details

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|---|
| To view lender-wise details of bank facilities please click here |

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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**About us:**

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.



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