

FEBRUARY 27, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF PREMIER LTD AND ASSIGNS 'CARE BB (FD)' RATING TO ITS FD PROGRAMME

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long Term Bank Facilities- (Fund Based Term Loan)	250.00 (250.00)	CARE BB (Double B)	Revised from CARE BBB- (Triple B minus)
Long Term Bank Facilities (Fund Based - Cash Credit)	60.00 (60.00)		
Short Term Bank Facilities (Non-Fund Based -LC/BG)	75.00 (75.00)	CARE A4 (A Four)	Revised from CARE A3 (A Three)
Medium/Long – Term Fixed Deposit	46.00	CARE BB (FD) [Double B (Fixed Deposit)]	Assigned
Total Facilities	431.00		

Rating Rationale

The revision in the ratings assigned to the bank facilities of Premier Ltd (Premier) factors in the steep deterioration in its credit profile on account of subdued financial performance in FY14 & H1FY15, elongation of working capital cycle led by stretched receivables, weak debt coverage indicators and concomitant stressed liquidity.

The ratings continue to be constrained by weak capital structure, moderate customer concentration risk, high working-capital intensity associated with the business and challenging business environment faced by the key business divisions (engineering products and automobiles) of the company resulting in weakening in operating cash-flows of the company.

The ratings, however, continue to positively build in strength from the significant experience and technical expertise of the promoters of Premier in the engineering and automobile industry, established track record in the segment and healthy order book providing revenue visibility in the near term. The ratings also factor in the realisations of proceeds on sale of land reserves resulting in improvement in the liquidity profile for the medium term.

The company's ability to achieve sustainable improvement in the operational and financial performance is the key rating sensitivities.

Background

Premier Limited (formerly Premier Automobiles Ltd.), established in 1944, operates in two segments – Engineering and Automotive. The engineering segment contributed 82% to total operating income during FY14 (refers to period April 01 to March 31) has two activities – CNC (computer numerical control) machine division and heavy engineering. Under CNC machine division, company manufactures CNC gear cutting machines, vertical and horizontal machining centers and special purpose machines. The heavy engineering serves the general engineering and wind mill turbine sectors. It provides end-to-end solution for wind turbine component manufacturing which includes fabrication, machining, blasting and painting of wind turbine steel parts. Premier also supplies metro bogie chassis frames for Bharat EarthMovers Ltd's metro train coaches and is the only approved domestic supplier for Delhi Metro Rail Corporation. The automotive segment consists of Light Utility Vehicles (LUVs) and Sports Utility Vehicles (SUVs). This division is engaged in assembling of vehicles parts comprising imported painted bodies and indigenous production of vehicle bodies. This assembly line is proposed to be closed temporarily on account of lower demand. Going forward Company would focus on increasing its operations in the non-wind segment; and is in advance stages of negotiating orders with various prospective clients.

During FY14 (refers to the period April 1 to March 31), Premier Ltd reported Profit After Tax (PAT) of Rs.25.15 crore on a Total income from operations of Rs.162.39 crore as against PAT of Rs.87.65 crore on a total income of Rs.243.35 crore in FY13. During H1FY15 (refers to the period April 1 to September 30) Premier Ltd reported Net Loss of Rs. 39.05 crore on a Total income from operations of Rs. 94.21 crore as against PAT of Rs. 17.33 crore on a total income of Rs. 95.53 crore in H1FY14.

Analyst Contact

Name: Rajashree Murkute

Tel: 022-6144 3505

Email: rajashree.murkute@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

CONTACT

Head Office Mumbai

Mr. D.R. Dogra

Managing Director
 Mobile: +91-98204 16002
 E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director
 Mobile: +91-98204 16001
 E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi

Vice President - Bank Loan & Instrument Rating
 Mobile: +91-9819009839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva

Vice President - Bank Loan & Financial Services
 Mobile: +91-9819698985
 E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:

503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
 Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya

32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-98242 56265
 Tel: +91-79-4026 5656
 E-mail: mehul.pandya@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla

304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 - 94139 69100
 Tel: +91-141-402 0213 / 14
 E-mail: harshraj.sankhla@careratings.com

BENGALURU
Mr. Dinesh Sharma

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91-99000 41975
 Tel: +91-80-4115 0445, 4165 4529
 E-mail: dinesh.sharma@careratings.com

KOLKATA
Ms. Priti Agarwal

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH
Mr. Sajan Goyal

2nd Floor, S.C.O. 196-197, Sector 34-A,
 Chandigarh - 160 022.
 Cell: +91 99888 05650
 Tel: +91-172-5171 100 / 09
 Email: sajan.goyal@careratings.com

NEW DELHI
Ms. Swati Agrawal

13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI
Mr. V Pradeep Kumar

Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE
Mr. Rahul Patni

9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-78754 33355
 Tel: +91-20- 4000 9000
 E-mail: rahul.patni@careratings.com

HYDERABAD
Mr. Saikat Roy

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Tel: +91-40-4010 2030
 E-mail: saikat.roy@careratings.com

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