PIX Power Transmission Solutions
Driving growth!

PIX Transmissions Limited
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Date : 01/02/2024

To
The Corporate Relationship Department,
BSE Limited, Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400001.

To
The Manager, Listing Department,
National Stock Exchange of India Limited,
Exchange Plaza , 5th Floor , Plot No C/1
G Block ,Bandra Kurla Complex, Bandra (E)
Mumbai 400051

Scrip code : 500333

NSE SYMBOL : PIXTRANS , SERIES : EQ

Sub : Credit Rating

Dear Sir,

Pursuant to regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are pleased to inform that CARE has reaffirmed our credit rating as under :

S.no	Facilities /Instruments	Previous rating	Current rating
1	Long term bank facilities	A (Single A)	A (Single A)
2	Short term bank facilities	A1 (A One)	A1 (A One)

Copy of Press Release from CARE is enclosed for your reference.

Thanking You

Yours faithfully,
For PIX TRANSMISSIONS LTD

SHYBU K VARGHESE
Digitally signed by SHYBU K VARGHESE
DN: c=IN, st=Maharashtra, 2.5.4.20=6cf9d5588852f629d5a13b51e1aca17cc183546f96ca5fa064ad7fc6f2058591, postalCode=440034, street=Nagpur, pseudonym=a63ec9826dd0f787e82429532343e4b5, serialNumber=6e79932747a170f936229f8639b848f132c9393939d70223d560a155abd541ea, o=Personal, cn=SHYBU K VARGHESE
Date: 2024.02.01 17:26:43 +05'30'

SHYBU VARGHESE
Company Secretary

Pix Transmissions Limited

January 31, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	31.21 (Reduced from 42.57)	CARE A; Stable	Reaffirmed
Long-term / Short-term bank facilities	80.00	CARE A; Stable / CARE A1	Reaffirmed
Short-term bank facilities	26.50	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of rating assigned to the bank facilities of PIX Transmissions Limited (PTL) factors in the expected stability in the company's performance in FY24. Despite the muted demand from global customers, the company has recorded revenue growth in FY23 and there has been no significant deviation in H1FY24 on a y-o-y basis. Rating also continues to derive strength from the experienced promoters, comfortable debt metrics, PTL's geographical presence and strong liquidity. However, ratings continue to remain constrained by stretched working capital cycle and its exposure to raw material price fluctuations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving scale of operations above ₹550.00 crore along with profit before interest, lease rentals, depreciation and tax (PBILDT) margins above 22% on a sustained basis.
- Improving operating cycle below 100 days on a sustained basis
- Improving overall gearing below 0.1x on a sustained basis.

Negative factors

- Deteriorating capital structure with overall gearing above 0.65x
- Declining scale of operations to below ₹300.00 crore.
- Declining operating margin below 18% on a sustained basis.
- Deteriorating operating cycle above 180 days on a sustained basis.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) continues to take consolidated approach considering the financial and operational linkages between the parent, subsidiaries, and step-down subsidiaries, as well as common management. These subsidiaries are not engaged in the manufacturing activities and are marketing arms. The subsidiaries considered for consolidation are listed in Annexure-6.

Outlook: Stable

The stable outlook reflects long track record of the company in this industry resulting in repetitive orders and its geographical presence.

Detailed description of the key rating drivers:

Key strengths

Revenue growth momentum maintained in FY23; stability expected in near term to medium term:

Given the deceleration in global manufacturing activity owing to inflationary pressures and other economic factors, the company's revenue in FY24 is expected to remain in line with that of FY23. The company majorly caters to industrial segment and derives the majority of its sales through exports. Owing to the slowdown in demand from the global market, the revenue from top 10 countries has been marginally impacted. With the company's ability to bridge this gap of exports by increase in domestic sales, CARE Ratings believes that no significant variance in revenues is likely in FY24. Though there would be some reduction in export revenue, it would continue to account for the bulk of the company's income in FY24 and in the medium term.

Despite the slowdown, the company was able to sustain 9% revenue growth in FY23, considering its long track record of operations and its association with its customers enabling it to bag repetitive orders. In addition to this, PTL's market position as one of the top players in the domestic industrial segment lends stability to its operating revenues. The total income from operations stood at ₹493.22 crore in FY23 (FY22: ₹454.31 crore). As per H1FY24 interim results, total income from operations stood at ₹236.19 crore (H1FY23: ₹239.75 crore).

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

Sustenance of healthy operating margin; expected to continue in long term:
PTL's exposure to export market, its strong position in domestic market and its presence majorly in the industrial segment, enables it to maintain healthy operating margin. The key raw material of the company is natural rubber, synthetic rubber and carbon black. With the reopening of manufacturing and industrial activity post-lockdown in China, the prices of rubber have increased, as China accounts for a large share in global demand for rubber. These prices continue to remain elevated as compared to pre-COVID-19 level. However, given the strong market share of PTL, its ability to pass through of prices in gradual manner and its export exposure enables it to restrict the volatility in operating margin.

The operating margin of the company had declined in FY23 to 22.60% (FY22: 26.51%) due to provisioning for retirement benefits of senior management personnel. However, the operating margin has rebounded in H1FY24 to 23.96%.

Continuance of comfortable debt metrics:
With no significant debt-led capital expenditure (capex) plans and existing debt level remaining low, the overall gearing of the company is expected to remain comfortable in the near to medium term. The overall gearing continues to remain comfortable at 0.19x as on March 31, 2023 (as on March 31, 2022: 0.35x). The overall debt level of the company continues to remain low. The debt profile of the company as on March 31, 2023, continues to majorly comprise of term loan followed by unsecured loan from the promoters, and working capital facility. The interest coverage continues to remain strong at 13.63x in FY23 (FY22: 14.64x) owing lower debt level and healthy profitability. As per H1FY24, the overall gearing stood at 0.12x and interest coverage at 20.81x.As per the management of PTL, there is no significant capex apart from maintenance capex expected in FY24.

Experienced promoters with established track record: The ratings continue to benefit from the rich experience of the promoter, Amarpal Sethi, who has over five decades of experience in the manufacturing of rubber V-belts and hoses. The day-to-day operations of the company are managed by a team of qualified and experienced professionals, headed by Sonepal S Sethi (Joint Managing Director). The company has two manufacturing units, located at Hingna and Nagalwadi, in Nagpur, Maharashtra. PTL also has an automated rubber mixing facility at Nagalwadi as well as centralized logistics hub.

Diversified geographical presence and low customer concentration risk:
The company is diversified in terms of geographical reach with 59% (61%) export exposure and 41% (39%) domestic exposure in FY23. PTL primarily caters to the European and US markets. PTL continues to export to more than 100 countries. The customer concentration risk is low with top ten customers contributing about 36% (41%) towards total sales with no individual customer contribution more than 10%.

Key weaknesses

Working capital intensive operations; however, liquidity position continues to remain strong:
The working capital cycle though stretched, will improve owing to reduced collection period in FY24. This is due to reduction in the credit days extended to its subsidiaries to 30-60 days from 120 days. This along with sufficient gross cash accruals from the business has resulted in nil utilisation of ₹80 crore fund-based limits from June 2023 till date. However, overall, PTL's operations continue to remain working capital-intensive given the inventory levels, which provides the company with a competitive advantage in terms of quicker order fulfillment. In FY23, the operating cycle of PTL remained stretched at 164 days as on March 31, 2023 (171 days). This was both due to high inventory holding days and collection period.

Exposure to raw material price fluctuations and foreign exchange risk associated with export orders:
With rubber and carbon black being key raw materials, PTL is exposed to price risk given the volatility observed in the price of these commodities. However, PTL's long association with its vendors benefits it in terms of price flexibility. PTL is a net exporter of goods, with approximately 30% of the raw material purchases being imported and sizeable amount from exports, which contributes around 59% towards total sales. This mitigates, foreign exchange risk given the net foreign currency (mostly USD denominated) receivable position.

Liquidity: Strong
The liquidity of the company continues to remain strong with GCA expected to remain sufficiently above ₹90.00 crore in FY24 and upcoming years. GCA stood at ₹85.40 crore in FY23 (FY22: ₹90.39 crore). In addition to this, the fund-based limit of ₹80.00 crore remain unutilised as on November 30, 2023. The average maximum utilisation of fund-based limits stood at about 8% in last 12 months ended November 30, 2023. Against these liquidity sources, the principal debt repayment obligation is ₹14.06 crore and ₹11.03 crore for FY24 and FY25, respectively. Hence the average DSCR is also comfortable above 3.00x. Moreover, the free cash and bank balance as on November 30, 2023, stood adequate at about ₹86.00 crore.

Applicable criteria

Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital goods	Industrial products	Rubber

Incorporated in July 1981, PTL is a public limited company promoted by Amarpal S Sethi (Chairman and Managing Director), and is involved in the manufacturing of mechanical power transmission products like rubber V-belts, cut-edge belts, ribbed belts, synchronous belts, timing belts, etc. Rubber V-belts manufactured by PTL find application in several end-user segments, such as industrial, agricultural, horticulture, special application belts, taper pulleys, bush and couplings, and the automotive segment. PTL has a well-diversified product range with an extensive range of tooling to cover a broad spectrum of belt construction types and sizes. PTL also has an extensive network of committed channel partners across verticals, ably supported by robust infrastructure/systems. There are two manufacturing units of the company, located at Hingna, Nagpur, an automated rubber-mixing facility at Nagalwadi, and a centralized logistics hub in Nagpur. PTL's products are sold in India and abroad through its network of approximately 350 distributors and channel partners spread across 100 countries.

Brief Financials (₹ crore) (Consolidated)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	454.32	493.22	236.19
PBILDT	120.44	111.46	56.59
PAT	68.84	64.82	36.52
Overall gearing (times)	0.35	0.19	0.12
Interest coverage (times)	14.64	13.63	20.81

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term loan		-	-	January 2027	31.21	CARE A; Stable
Fund-based - LT/ ST-CC/PC/Bill discounting		-	-	-	55.00	CARE A; Stable / CARE A1
Fund-based - LT/ ST-CC/PC/Bill discounting		-	-	-	25.00	CARE A; Stable / CARE A1
Non-fund-based - ST-bank guarantee (BG)/Letter of credit (LC)		-	-	-	26.50	CARE A1

Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term loan	LT	31.21	CARE A; Stable	-	1)CARE A; Stable (05-Jan-23)	1)CARE A; Stable (24-Mar-22) 2)CARE A; Stable (28-Feb-22)	1)CARE A-; Positive (19-Mar-21)
2	Fund-based - LT/ ST-CC/PC/Bill discounting	LT/ST*	55.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (05-Jan-23)	1)CARE A; Stable / CARE A1 (24-Mar-22) 2)CARE A; Stable / CARE A1 (28-Feb-22)	1)CARE A-; Positive / CARE A2+ (19-Mar-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	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	Date(s) and Rating(s) assigned in 2020-2021
3	Fund-based - LT/ ST-CC/PC/Bill discounting	LT/ST*	25.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (05-Jan-23)	1)CARE A; Stable / CARE A1 (24-Mar-22) 2)CARE A; Stable / CARE A1 (28-Feb-22)	1)CARE A-; Positive / CARE A2+ (19-Mar-21)
4	Non-fund-based - ST-BG/LC	ST	26.50	CARE A1	-	1)CARE A1 (05-Jan-23)	1)CARE A1 (24-Mar-22) 2)CARE A1 (28-Feb-22)	1)CARE A2+ (19-Mar-21)

*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple
2	Fund-based - LT/ ST-CC/PC/Bill discounting	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

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

Annexure-6: Name of the companies consolidated with PTL.

Sr. No.	Subsidiary	Shareholding As on September 30, 2023
1	PIX Middle East FZC	100%
2	PIX Transmissions (Europe) Limited	100%
3	PIX Middle East Trading LLC	100% shares held by PIX Middle East FZC, UAE
4	PIX Germany GmbH	100% shares held by PIX Transmissions (Europe) Limited, England

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

For the detailed Rationale Report and subscription information, please visit www.careedge.in