PIX
Power Transmission Solutions
Driving growth!

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Date : 19/03/2025

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 upgraded our credit rating as under :

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

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
Date: 2025.03.19 15:49:22 +05'30'

SHYBU VARGHESE
Company Secretary

Pix Transmissions Limited

March 18, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	19.92 (Reduced from 31.21)	CARE A+; Stable	Upgraded from CARE A; Stable
Long-term / Short-term bank facilities	80.00	CARE A+; Stable / CARE A1+	Upgraded from CARE A; Stable / CARE A1
Short-term bank facilities	26.50	CARE A1+	Upgraded from CARE A1

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Rating upgrades reflect steady increase in scale of operations of Pix Transmissions Limited (PTL) in FY24 (refers to April 01 to March 31) and 9MFY25, while sustaining healthy profitability despite volatile raw material prices, and a comfortable financial risk profile. PTL's revenue grew at a steady compound annual growth rate (CAGR) of 11% in the last four years to ~₹500 crore in FY24 considering steady demand. The trend continued in 9MFY25 with revenue growth of ~17% y-o-y to ₹427 crore. Rating upgrades also factor in expectations of sustained performance in the coming years driven by the company's significant market share in rubber transmission belts, geographically diversified revenue with low customer concentration and long-standing experience of promoters. While the ongoing global tariff increase pose some uncertainty to revenue growth, PTL's geographically diversified distribution network is likely to lend stability to its operations with expected revenue growth of 8-10% per annum in the next 2-3 years and sustained profitability.

Ratings continue to favourably factor in PTL's comfortable financial risk profile with a healthy net worth base of ₹487 crore and low reliance on borrowings indicated by overall gearing of 0.09x and total outside liabilities to total net worth (TOL/TNW) of 0.28x as on March 31, 2024. Its debt coverage indicators also remain healthy with profit before interest, lease rentals, depreciation and taxation (PBILDT) interest cover of 23.17x and total debt/PBILDT at 0.35x in FY24. With a sizeable portfolio of free cash and liquid investments worth over ₹150 crore as on December 31, 2024, and no major planned debt-funded capex, PTL is expected to maintain a healthy financial risk profile.

However, ratings remain constrained by PTL's working capital intensive operations, its business performance vulnerable to cyclicality and imposition of trade tariffs, exposure to foreign exchange fluctuation risk and moderate scale of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations above ₹850 crore while sustaining PBILDT margin above 25% on a sustained basis.
- Improvement in the operating cycle below 100 days on a sustained basis.

Negative factors

- Decline in scale of operations below ₹400 crore and/or moderation in PBILDT margin below 18% on a sustained basis.
- Weakening capital structure with overall gearing above 0.50x.
- Deterioration in the operating cycle above 180 days on a sustained basis.
- Debt funded acquisition, leading to decline in current liquidity position.

Analytical approach: Consolidated

CARE Ratings has considered consolidated financial statements of PTL, its subsidiaries, and step-down subsidiaries, considering financial and operational linkages between them, as listed under Annexure-6.

Outlook: Stable

The stable outlook reflects CARE Ratings' expectations that PTL will continue to maintain a comfortable financial risk profile backed by its long track record, diversified geographical presence and experienced promoters.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and established market position in industrial market segment of transmission belts

PTL is promoted by Amarpal S Sethi (Chairman and Managing Director), who has experience of over five decades in the industrial transmission belts and hoses industry. Second-generation promoters have also joined the business ensuring business continuity and smooth succession. Promoters have contributed in enabling PTL to create an established market position in the industry. PTL

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

has a wide product portfolio and exports products to over 100 countries. PTL's strong market position is further characterised by limited number of major players globally, its ability to pass on increase in input prices and entry barriers to the industry such as high capital investment, technology and requirement of skilled labour.

Healthy return metrics and cash accruals

PTL has demonstrated steady and consistently high PBILDT margin ~25% in the last five years, translating into healthy return on capital employed of over 20% per annum. Consistent PBILDT margin demonstrates PTL's long-standing manufacturing experience and ability to pass on increase in prices of input costs, while maintaining relations with its distributors. The healthy profitability has enabled the company to generate gross cash accruals (GCA) of ₹80-100 crore per annum in the last few years, which support its overall cash flows and financial risk profile. The company is expected to sustain its performance in the medium term.

Geographically diversified revenue and low customer concentration risk

PTL derives ~52% of the revenue from the export market. The major counties of export include the USA, Germany, the UAE, the UK and Thailand with no country contributing over 35% of the total exports. PTL has also setup subsidiaries in the UAE, the UK and Germany which are PTL's marketing arm for the export market. Revenue in domestic market is also derived across India considering its strong distribution network. The company's customer concentration continues to be low with top 10 customers contributing less than 35% of the total revenue. Diversified revenue mix is expected to aid the company in mitigating risks arising from localised demand slowdowns.

Comfortable capital structure

The capital structure remains comfortable considering consistent cash accruals leading to significant liquidity, low overall gearing at 0.09x as on March 31, 2024 (PY:0.15x) and no major planned debt funded capex in the near term. The total debt of ₹44.01 crore as on March 31, 2024, comprises term loans (₹27.36 crore) followed by unsecured loan from promoters (₹16.65 crore). With scheduled repayment of existing loan, the overall gearing is expected to remain comfortable and improve in near term. The PBILDT interest coverage continues to be strong at 23.17x in FY24 (FY23: 13.63x). Annually, the company has planned capex of ₹15-20 crore for automation and maintenance and in FY26 an additional capex of ~₹30 crore for setting up solar energy plant of 9MW, funded entirely through internal accruals.

Key weaknesses

Working capital intensive operations

The working capital cycle continues to be elongated with marginal improvement in FY24 at 155 days (PY:164 days). The long working capital cycle is due to high debtor days and inventory days at 79 days (PY:75 days) and 103 days (PY:113), respectively. The inventory days tend to be on the higher side as PTL has a wide product portfolio catering to different industrial specifications. This risk of high inventory days is mitigated to some extent as its inventory has shelf life of over seven years. Working capital requirements are funded using internal accruals as utilisation of fund based facility has been nil for 12 months ended January 2025.

Exposure to cyclicality, raw material price volatility, foreign exchange rates and global tariffs

PTL derives revenue majorly from industrial segment, where demand is vulnerable to cyclical downturns. This impacts PTL's performance, though the company has taken steps to enhance export and diversify its revenue streams. Business performance can also be affected by imposition of tariffs by importing countries. Profitability is vulnerable to forex fluctuation as ~52% of the revenue is derived from export market and ~30% of the raw material requirement is imported. As PTL is a net exporter, it provides natural hedge to that extent. Post the natural hedge ~20% forex exposure is hedged and balance remains unhedged owing to current strengthening of the US dollar.

Scale of operations restricted to industrial market segment

PTL derives revenue from majorly from the industrial rubber transmission belts segment with limited exposure to the automobile OEM industry. This has restricted its scale of operations to an extent which remain a key rating sensitivity.

Liquidity: Strong

PTL's liquidity is strong marked by projected gross cash accruals of ₹130-150 crore per annum in the next 1-2 years against debt repayment obligations of ~₹11 crore in FY26 and ~₹5 crore in FY27 and maintenance capex requirements of ₹30-50 crore per annum. The liquidity position if further supported by the significant liquid investments worth over ₹150 crore as on December 31, 2024; and negligible utilisation of sanctioned fund-based working capital limits of ₹80 crore (with commensurate drawing power) for 12-months ending December 31, 2024, which provides additional buffer.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Consolidation
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	Rubber

Incorporated in July 1981, PTL is engaged in manufacturing mechanical power transmission products including rubber V-belts, cut-edge belts, ribbed belts, synchronous belts, and timing belts, among others, which find application in several end-user segments including industry, agriculture, horticulture, special application belts, taper pulleys, bush and couplings, and the automobiles. PTL has a well-diversified product range with an extensive range of tooling to cover a broad spectrum of belt construction types and sizes. It operates two manufacturing units at Hingna, Nagpur, an automated rubber mixing facility at Nagalwadi and a centralised logistics hub in Nagpur. PTL's products are sold in domestic and export market through its network of distributors and channel partners spread across 100 countries. The company is promoted by Amarpal S Sethi (Chairman and Managing Director) and is listed on the NSE and BSE.

Brief Financials (₹ crore) (Consolidated)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	493.22	500.14	427.52
PBILDT	111.46	127.56	123.68
PAT	64.82	82.99	90.22
Overall gearing (times)	0.17	0.09	NA
Interest coverage (times)	13.63	23.17	NA

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

Status of non-cooperation with previous CRA: Not applicable

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	January 2027	19.92	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-BG/LC	-	-	-	-	26.50	CARE A1+

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	19.92	CARE A+; Stable	-	1)CARE A; Stable (31-Jan-24)	1)CARE A; Stable (05-Jan-23)	1)CARE A; Stable (24-Mar-22) 2)CARE A; Stable (28-Feb-22)
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	55.00	CARE A+; Stable / CARE A1+	-	1)CARE A; Stable / CARE A1 (31-Jan-24)	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)
3	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	25.00	CARE A+; Stable / CARE A1+	-	1)CARE A; Stable / CARE A1 (31-Jan-24)	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)
4	Non-fund-based - ST-BG/LC	ST	26.50	CARE A1+	-	1)CARE A1 (31-Jan-24)	1)CARE A1 (05-Jan-23)	1)CARE A1 (24-Mar-22) 2)CARE A1 (28-Feb-22)

LT: Long term; ST: Short term; LT/ST: Long term/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-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 lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	PIX Middle East FZC	Full	Wholly owned subsidiary
2	PIX Transmissions (Europe) Limited	Full	Wholly owned subsidiary
3	PIX Middle East Trading LLC	Full	Step-down subsidiary
4	PIX Germany GmbH	Full	Step-down subsidiary

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.

Contact us

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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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