



Press Release

PTC Industries Limited (PIL)

January 08, 2021

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	117.86	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	Assigned
Short Term Bank Facilities	65.40	IVR A2 (IVR A Two)	Assigned
Total	183.26 (One hundred eighty-three crore and twenty-six lakhs)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of PTC Industries Limited (PIL) derive comfort from Significant experience of the promoters & established track record of operations, Comfortable financial risk profile, Healthy profitability margin and Diversified Product Profile. The ratings is however constrained by Moderate working capital intensive nature of operations, Exposure to foreign exchange fluctuations and Cyclical nature in the steel industry

Key Rating Sensitivities:

Upward Factors

- Increase in scale of operation & profitability margins.
- Sustenance of the capital structure and improvement in debt protection metrics.

Downward Factors

- Substantial decline in profitability impacting debt protection matrix and liquidity.
- Deterioration in working capital cycle and liquidity profile of the company.

List of Key Rating Drivers with Detailed Description



Press Release

Key Rating Strengths

Significant experience of the promoters & established track record of operations:

PTC Industries Limited (PIL) incorporated in 1963 has a long track record of manufacturing of stainless steel casting that find applications in various industries. PTC was founded by late Satish Chandra Agarwal. Currently the directors of the company Mr. Sachin Agarwal, Mr. Priya Ranjan Agarwal, Mr. Alok Agarwal, Mr. Ashok Kumar Shukla & Ms. Smita Agarwal are having decades of experience in casting Industry. The company has five Independent directors in order to maintain independence of the Board and segregate the functions of governance and management. Longstanding presence of the promoters and directors in the industry has helped the company to establish strong relationships with customers and suppliers, withstand industry cycles, diversify the product profile, and expand capacity.

Comfortable financial risk profile

PTC's financial risk profile stood comfortable marked by average overall gearing at 1.00 times in FY20 (Audited) as against 1.03 times in FY19. Interest coverage stood healthy at 2.78 times in FY20 and 2.87 times in FY19. The company has generated Gross cash accruals (GCA) of Rs.21.66 crore in FY20 against the repayment obligation of Rs.8.87 crore in FY20 and they are expected to be remain in same range over the medium term.

Healthy profitability margin

The company's EBITDA margin increased from 15.95% in FY19 to 16.83% in FY20 owing to the increased scale of operations whereas the PAT margin increased from 6.06% in FY19 to 7.93% in FY20. The company has successfully managed to maintain and improve its profitability over the years.

Diversified Product Profile

PTC is engaged in the business of manufacturing Stainless Steel, Duplex, Super Duplex, Nickel, Cobalt alloys, non-alloy steel castings solutions, machined components and fabricated parts for application in sectors such as Aerospace, Oil & Gas, Marine, Energy & Petrochemical. The company has expanded its existing product portfolio by introduction of new trademarked indigenously developed technologies like RapidCast™, PrintCast™,



Press Release

forgeCast™, Powderforge™ and TiCast™. The company produces Pumps, Valves, Propulsion, flow control etc. products with the help of these technologies.

Key Rating Weaknesses

Moderate working capital intensive nature of operations:

The company's operations are moderately working capital intensive in nature as reflected by its Operating cycle (days) of around 139 days as on March 31, 2020 (Audited) as against 136 days in FY2019. PTC maintains an average inventory of around 3-4 months of various varieties and grades for smooth running of operations and no stock out position to lose business. The average collection period (days) also remains high at 95 days in FY20 compared to 94 days in FY29. This has led to higher reliance on working capital borrowings and it utilised at an average of 90 per cent.

Exposure to foreign exchange fluctuations

The company derives a major portion of its income i.e. around 80% of total revenue from exports, due to that company will remain exposed to currency fluctuation to the extent of unhedged exposure. However, company has a hedging mechanism in place to reduce exposure to foreign exchange fluctuations. As on 31st March 2020, the unhedged foreign currency exposure for exports is Nil and for imports is minimal at Rs.4.40 crore.

Cyclicity in the steel industry

The steel industry is known for being cyclical and reflective of overall market conditions, demand increases during economic booms and plummets during global recessions and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices.

Analytical Approach:Standalone

Applicable Criteria:

- Rating Methodology for Manufacturing Companies
- Financial Ratios & Interpretation (Non- Financial Sector)



Press Release

Liquidity – Adequate

The liquidity of the company is expected to remain Adequate in the near to medium term in view of sufficient cash accruals vis-à-vis debt repayment obligations. The company is expected to generate cash accruals to the tune of ~Rs.22 - 30 crore during FY21-FY23 as against a repayment obligation of ~Rs.13 - 14 crore during the aforesaid period indicating an adequate liquidity position. The operations are moderately working capital intensive which has led to high reliance on working capital limits. The fund based average working capital utilisation was at ~ 90% during the last twelve months ended September 30, 2020.

About the Company

PTC Industries Limited (PIL) incorporated in 1963 as Precision Tools & Castings Private Limited and was later converted into public limited company listed at Bombay Stock Exchange (BSE). The company is engaged in the business of manufacturing Stainless Steel, Duplex, Super Duplex, Nickel, Cobalt alloys, non-alloy steel castings solutions, machined components and fabricated parts. The company uses various indigenously developed technologies like Centrifugal Castings, Replicast®, RapidCast™, forgeCAST™ & Titanium Powder for casting. The company caters to Oil & Gas, Aerospace, Marine, Pulp & Paper, Petrochemical & Energy industries.

Financials (Standalone):

(Rs. Crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	151.25	168.13
EBITDA	24.13	28.30
PAT	9.42	13.90
Total Debt	143.41	150.60
Tangible Net Worth	139.84	149.93
EBITDA Margin (%)	15.95	16.83
PAT Margin (%)	7.02	5.99
Overall Gearing Ratio (x)	1.03	1.00



Press Release

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loans	Long Term	78.26	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	-	-	-
2.	Cash Credit	Long Term	37.00	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	-	-	-
3.	COVID Line	Long Term	2.60	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	-	-	-
4.	EPC	Short Term	29.00	IVR A2 (IVR A Two)	-	-	-
5.	FBP/FBD	Short Term	8.00	IVR A2 (IVR A Two)	-	-	-
6.	SLC (Standby Limit)	Short Term	8.40	IVR A2 (IVR A Two)	-	-	-
7.	LC	Short Term	20.00	IVR A2 (IVR A Two)	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:



Press Release

Name: Hardik Gala Tel: (022) 62396023 Email: Hardik.gala@infomerics.com	Name: Prakash Kabra Tel: (022) 62396023 Email: Prakash.kabra@infomerics.com
---	---

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs 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/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund based (Long Term) Term Loan 1	-	-	June, 2026	16.33	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)
Fund based (Long Term) Term Loan 2	-	-	October, 2022	6.67	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)



Press Release

Fund based (Long Term) Term Loan 3	-	-	December, 2027	16.59	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)
Fund based (Long Term) Term Loan 3	-	-	December, 2026	11.58	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)
Fund based (Long Term) Term Loan 3	-	-	December, 2027	27.09	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)
Fund based (Long Term) Cash Credit	-	-	-	37.00	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)
Fund based (Long Term) – Covid lines	-	-	-	2.60	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)
Fund based (Short Term) EPC	-	-	-	29.00	IVR A2 (IVR A Two)
Fund based (Short Term) FBP/FBD	-	-	-	8.00	IVR A2 (IVR A Two)
Fund based (Short Term) Standby Limit	-	-	-	8.40	IVR A2 (IVR A Two)
Non-Fund based (Short Term) LC	-	-	-	20.00	IVR A2 (IVR A Two)

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lenders-PIL-08-01-21.pdf>