



## Press Release

### PTC Industries Limited (PIL)

April 04, 2022

#### Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term fund-based Bank Facilities	115.75 (Reduced from 117.86)	IVR BBB+/ Stable  (IVR Triple B Plus Stable)	IVR BBB+/ Stable  (IVR Triple B Plus Stable)	Reaffirmed	Simple
Short term fund-based Bank Facilities	45.40	IVR A2  (IVR A Two)	IVR A2  (IVR A Two)	Reaffirmed	Simple
Short term Non-fund based Bank Facilities	20.00	IVR A2  (IVR A Two)	IVR A2  (IVR A Two)	Reaffirmed	Simple
	<b>181.15</b>				

Details of facilities are in Annexure 1

#### Detailed Rationale

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

#### Key Rating Sensitivities:

##### Upward Factor:

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



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### **Downward Factor:**

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

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

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

PTC Industries Limited (PTC) 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 1.14 times in FY21 (Audited) as against 1.00 times in FY20. Interest coverage stood healthy at 2.80 times in FY21 and 2.78 times in FY20. The company has generated Gross cash accruals (GCA) of Rs.19.58 crore in FY21 against the repayment obligation of Rs.8.87 crore and they are expected to be remain in same range over the medium term.

#### **Healthy profitability margin**

The company's EBITDA margin increased from 16.83% in FY20 to 21.39% in FY21 owing to commencement of titanium casting but the PAT margin declined from 5.99 % in FY20 to 2.60% in FY21, this was solely due to recalculation of deferred tax. Yet, the company has successfully managed to maintain and improve its profitability over the years.

#### **Diversified Product Profile**



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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™, 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 191 days as on March 31, 2021 as against 136 days in FY2020. 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 120 days in FY21 compared to 95 days in FY20. This has led to higher reliance on working capital borrowings and it utilised at an average of ~75 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 2021, the unhedged foreign currency exposure stood at 16.69 crore.

#### **Cyclicality 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.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria on Rating Outlook](#)

### **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.35 - 60 crore during FY22-FY24 as against a repayment obligation of ~Rs.15 - 20 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 ~ 76% during the last eleven months ended February, 2022.

### **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.



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### Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	168.13	163.35
EBITDA	28.30	34.95
PAT	10.51	4.39
Total Debt	150.60	176.40
Tangible Net Worth	149.92	146.18
EBITDA Margin (%)	16.83	21.39
PAT Margin (%)	5.99	2.60
Overall Gearing Ratio (x)	1.00	1.21

\* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dated: January 08, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Facilities – Term Loans	Long Term	75.75	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-
2.	Fund Based Facilities – Cash Credit	Long Term	40.00	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-
3.	Fund Based Facilities – EPC/PCFC	Short Term	29.00	IVR A2	IVR A2	-	-
4.	Fund-based Bank Facilities – FBP/FBD	Short Term	8.00	IVR A2	IVR A2	-	-
5.	Fund-based Bank Facilities –	Short Term	8.40	IVR A2	IVR A2	-	-



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	SLC (Standby Limit)						
6.	Non Fund-based Bank Facilities – LC	Short Term	20.00	IVR A2	IVR A2	-	-

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### 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.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facilities – Term Loans	-	-	Upto December 2027	75.75	IVR BBB+/ Stable
Long Term Fund Based Facilities – Cash Credit	-	-	-	40.00	IVR BBB+/ Stable
Short term fund-based Bank Facilities – EPC/PCFC	-	-	-	29.00	IVR A2
Short term fund-based Bank Facilities – FBP/FBD	-	-	-	8.00	IVR A2
Short term fund-based Bank Facilities – SLC	-	-	-	8.40	IVR A2
Short term non fund-based Bank Facilities – LC	-	-	-	20.00	IVR A2

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/PTC-Industries-lenders-apr22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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](http://www.infomerics.com).