November 30, 2023

Pravartaka Tooling Services Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term-Fund Based-Term Loan	10.00	10.00	[ICRA]A (Stable); reaffirmed
Long Term/Short-Term-Fund Based/Non-Fund Based-Working Capital	10.00	10.00	[ICRA]A (Stable)/[ICRA]A1; reaffirmed
Long-Term/Short Term-Unallocated Limits	30.00	30.00	[ICRA]A (Stable)/[ICRA]A1; reaffirmed
Total	**50.00**	**50.00**	

**Instrument details are provided in Annexure-I*

Rationale

The reaffirmed ratings for Pravartaka Tooling Services Limited (PTS) incorporate the strong financial support enjoyed by the company from its parent, Amber Enterprises India Limited (AEIL), and the company's capabilities in injection moulding tools. Most of PTS' revenues are generated from established players such as LG Electronics India Private Limited (LG). Moreover, the company has established relationships with its customers across various industries.

The company's scale of operations remains limited, and it generates a sizeable portion of its business from the consumer durables industry. PTS remains slightly exposed to seasonality challenges that quite often impact the RAC industry while it has some diversification into electronic components manufacturing as well. ICRA expects PTS to witness healthy growth in its scale of operations over the medium term, benefitting from AEIL's support, with the expectation of a growing consumer durable business and its established position in the industry. The coverage indicators of the company improved in FY2024 but remain moderately stretched on account of a recently-incurred debt-funded capex. They are expected to improve with increased operational capacity and scale-up in revenue. .

The Stable outlook on the rating reflects ICRA's expectation that AmberPR will maintain a comfortable credit profile, aided by stable cash flow from operations and continued support from the parent entity.

Key rating drivers and their description

Credit strengths

Access to operational and financial support from parent entity, AEIL – PTS benefits from a high likelihood of parent support from AEIL, which enjoys a prominent position in the air conditioner manufacturing industry. While PTS does not depend materially on AEIL for revenues, it has been acquired by AEIL with the intent to leverage its tool-building capability across several consumer durables products. Further, PTS's business will benefit from AEIL's established position in the industry as the parent focusses on ramping up the business of PTS with its existing customers. This was also evident in PTS's FY2023 revenues of ~Rs. 172 crore as well as an improvement in its earnings (OPBITDA of Rs. 12.9 crore in FY2023 from the operating loss of Rs. 8.8 crore in FY2022).

Credit challenges

Limited scale of operations – PTS's scale of operations remains limited, having recorded revenues of ~Rs. 172 crore in FY2023 from the domestic market. Further, LG Electronics India Private Limited directly or indirectly drives nearly 40% of its total revenues, thereby leading to a high customer concentration risk. An expectation of growth in business through various customers of the Amber Group is likely to lead to a moderation in customer concentration, going forward. Along with the limited scale, the coverage indicators of the company are also moderately stretched. With significant debt-backed capex undertaken in FY2022 and FY2023, which is expected to increase going forward, the overall scale of operations along with the coverage indicators are expected to improve.

Dependency on consumer durables industry results in seasonality of business – About 45% of the customers and products of PTS cater to the consumer durables industry, with approximately 30% exposure to the air conditioning industry alone. This exposes the company to slight risks of seasonality innate to the consumer durables business and particularly the RACs. During the current fiscal, subdued demand in the RAC industry on the back of unseasonal rains impacted the prospects of the company to an extent. However, with the expected revival and the change in ownership following the acquisition by AEIL, the growth prospects of the company remain healthy.

Liquidity position: Adequate

PTS's liquidity remains adequate, supported by the expectation of moderate cash flows from operations and sufficient working capital facilities buffer (sanctioned limits of Rs. 25 crore as of September 2023). In addition, the company has repayments to the tune of Rs. 3.7 crore in FY2024, which is expected to be met by the internal accruals. Further, ICRA expects liquidity support from its parent, as and when required.

Rating sensitivities

Positive factors – The ability of the entity to record a material and continued increase in scale of operations/earnings, while reducing customer concentration may lead to improved ratings. Any improvement in the credit profile of the parent entity may also lead to a rating improvement.

Negative factors – Pressure on the ratings could arise in case of a sustained increase in working capital intensity, or any large debt-funded capex or decline in profitability, resulting in sustained weakening of the company's liquidity and credit metrics. A weakening of the company's parent profile or a weakening in the linkages with the parent may also exert pressure on the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	The ratings assigned to PTS factor in the high likelihood of its parent company extending financial support to it due to its strategic importance and close business linkages. ICRA also expects AEIL to be willing to extend financial support to PTS to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	The rating is based on the standalone financial statements of the entity.

About the company

Pravartaka Tooling Services, incorporated in April 2021, trades in and manufactures injection moulding components, tools, moulds, and dies for consumer durables, automotive and electronics industries. Currently, the company has three manufacturing units, with two in Greater Noida (Uttar Pradesh) and one in Manesar (Haryana). As of March 31, 2023, AEIL owned about 60% of PTS, with an option and intent to eventually purchase 100% of the business over the next few years.

Key financial indicators (audited)

PTS Standalone	FY2022	FY2023
Operating income	37.0	171.5
PAT	-7.4	4.4
OPBDIT/OI	-23.8%	7.5%
PAT/OI	-20.0%	2.6%
Total outside liabilities/Tangible net worth (times)	1.3	2.4
Total debt/OPBDIT (times)	-1.7	4.1
Interest coverage (times)	-23.5	4.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Sep 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Nov 30,2023	Aug 19, 2022	--	--
1	**Term Loan**	Long Term	10.00	44.2	[ICRA]A (Stable)	[ICRA]A (Stable)	--	--
2	**Fund Based/Non-Fund Based-Working Capital**	Long-Term/Short Term	10.00	--	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	--	--
3	**Unallocated Limits**	Long-Term/Short Term	30.00	--	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	--	--

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term-Fund Based-Term Loan	Simple
Long Term/Short-Term-Fund Based/Non-Fund Based-Working Capital	Simple
Long-Term/Short Term-Unallocated Limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	March 2022	-	March 2027	10.00	[ICRA]A (Stable)
NA	Fund Based/Non-Fund Based-Working Capital	NA	NA	NA	10.00	[ICRA]A (Stable)/ [ICRA]A1
NA	Unallocated Limits	NA	NA	NA	30.00	[ICRA]A (Stable)/ [ICRA]A1

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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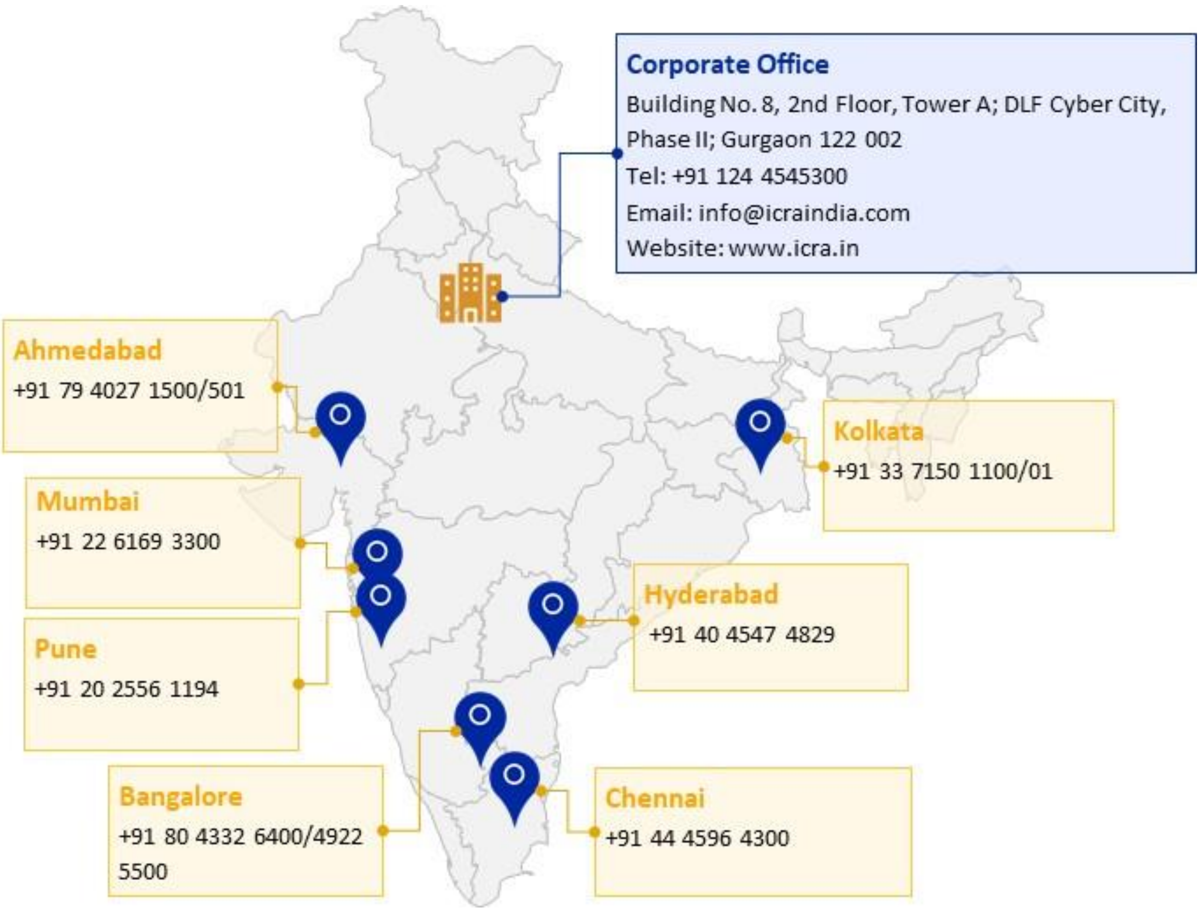

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