

August 06, 2024

## Pravartaka Tooling Services Private Limited: Ratings reaffirmed; Rated amount enhanced

### 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                             | 35.00                            | [ICRA]A (Stable); Reaffirmed and assigned for enhanced amount          |
| Long Term/Short-Term-Fund Based/Non-Fund Based-Working Capital | 10.00                             | 40.00                            | [ICRA]A (Stable)/[ICRA]A1; Reaffirmed and assigned for enhanced amount |
| Long-Term/Short Term-Unallocated Limits                        | 30.00                             | 45.00                            | [ICRA]A (Stable)/[ICRA]A1; Reaffirmed and assigned for enhanced amount |
| <b>Total</b>   | <b>50.00</b>                      | <b>120.00</b>                    |  |

\*Instrument details are provided in Annexure-I

### Rationale

The reaffirmed ratings for Pravartaka Tooling Services Limited (PTS) consider 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 derives some revenue from electronic components and manufacturing. 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 company's coverage indicators remained stretched in FY2024 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 PTS 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 the 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 for several consumer durable products. Further, PTS's business will benefit from AEIL's established position in the industry as the parent focuses on ramping up the business of PTS with its existing customers. This was also evident in PTS's FY2024 revenue of ~Rs. 231 crore as well as an improvement in its earnings (OPBITDA of Rs. 14.6 crore in FY2024 compared to Rs. 12.9 crore in FY2023, and an operating loss of Rs. 8.8 crore in FY2022).

## Credit challenges

**Limited scale of operations and moderately stretched coverage indicators**– PTS’s scale of operations remains limited, with recorded revenues of ~Rs. 231 crore in FY2024 from the domestic market. Further, LG Electronics India Private Limited contributes the majority to its total revenues, leading to a high customer concentration risk. The expected growth in business through various customers of the Amber Group is likely to moderate customer concentration going forward. Along with the limited scale, the company’s coverage indicators are moderately stretched. While the debt in FY2024 increased by Rs. 30 crore to ~Rs. 83 crore from Rs. ~53 crore in FY2023, the majority of the debt infusion has been made by the parent. Consequently, the external debt was reduced to ~Rs. 41 crore in FY2024 from ~Rs. 49 crore in FY2023.

**Dependency on consumer durables industry results in seasonality of business** – About 45% of PTS’ customers and products cater to the consumer durables industry, with ~30% exposure to the air conditioning industry alone. This exposes the company to slight risks of seasonality, inherent in the consumer durables business, particularly the RAC sector. In H1 FY2024, subdued demand in the RAC industry on the back of unseasonal rains impacted the company’s prospects to an extent. However, with the revival witnessed in H2 FY2024, coupled with the change in ownership following the acquisition by AEIL, the company’s growth prospects 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 May 2024 and average buffer of ~Rs 9 crore between August 2023 and May 2024). In addition, the company has repayments of Rs. 5.2 crore in FY2025, 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 entity’s ability to record 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 improved ratings.

**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 linkages with the parent may also exert pressure on the ratings.

## Analytical approach

| Analytical Approach             | Comments   |
|---------------------------------|--|
| Applicable rating methodologies | <a href="#">Corporate Credit Rating Methodology</a>  |
| 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

PTS, incorporated in April 2021, trades in and manufactures injection moulding components, tools, moulds, and dies for consumer durables, automotive and electronics industries. At present, the company has three manufacturing units, with two in Greater Noida (Uttar Pradesh) and one in Manesar (Haryana). As on March 31, 2024, 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                                       | FY2023 | FY2024 |
|--|--------|--------|
| Operating income                                     | 171.5  | 231.4  |
| PAT  | 4.4    | 0.4    |
| OPBDIT/OI  | 7.5%   | 6.3%   |
| PAT/OI   | 2.6%   | 0.2%   |
| Total outside liabilities/Tangible net worth (times) | 2.4    | 4.5    |
| Total debt/OPBDIT (times)                            | 4.1    | 5.7    |
| Interest coverage (times)                            | 4.5    | 2.5    |

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

| Instrument                                  | Type                 | Current rating (FY2025)     |                               | Chronology of rating history for the past 3 years |                               |                            |
|---|----------------------|-----------------------------|-------------------------------|---|-------------------------------|----------------------------|
|   |                      | Amount rated<br>(Rs. crore) | Date & rating in<br>FY2025    | Date & rating in<br>FY2024                        | Date & rating in<br>FY2023    | Date & rating in<br>FY2022 |
|   |                      |                             | Aug 06, 2024                  | Nov 30, 2023                                      | Aug 19, 2022                  | -                          |
| 1 Term Loan                                 | Long Term            | 35.00                       | [ICRA]A (Stable)              | [ICRA]A (Stable)                                  | [ICRA]A (Stable)              | -                          |
| 2 Fund Based/Non-Fund Based-Working Capital | Long-Term/Short Term | 40.00                       | [ICRA]A (Stable)/<br>[ICRA]A1 | [ICRA]A (Stable)/<br>[ICRA]A1                     | [ICRA]A (Stable)/<br>[ICRA]A1 | -                          |
| 3 Unallocated Limits                        | Long-Term/Short Term | 45.00                       | [ICRA]A (Stable)/<br>[ICRA]A1 | [ICRA]A (Stable)/<br>[ICRA]A1                     | [ICRA]A (Stable)/<br>[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 | 35.00                    | [ICRA]A (Stable)           |
| NA   | Fund Based/Non-Fund Based-Working Capital | NA               | NA          | NA         | 40.00                    | [ICRA]A (Stable)/ [ICRA]A1 |
| NA   | Unallocated Limits                        | NA               | NA          | NA         | 45.00                    | [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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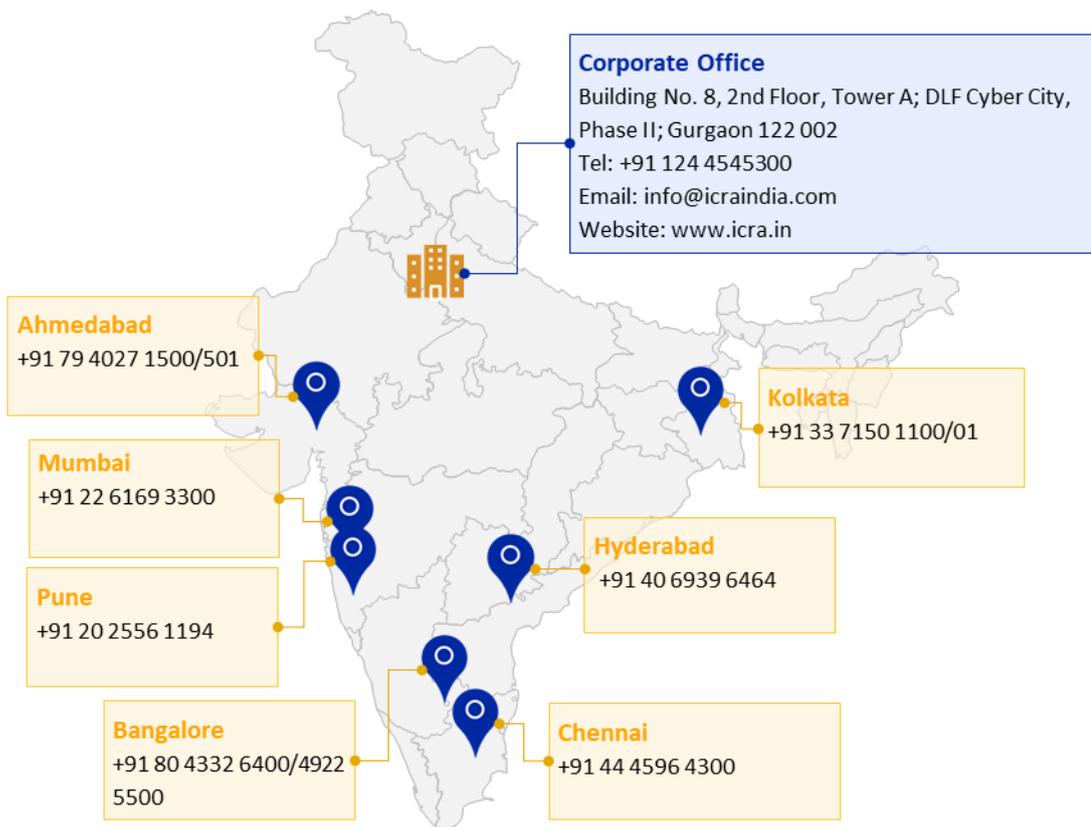
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