January 13, 2025

PTC Industries Limited: [ICRA]A- (Stable)/ [ICRA]A2+ assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based Limits	125.00	[ICRA]A- (Stable); assigned
Short-term non-fund based limits	50.00	[ICRA]A2+; assigned
Total	**175.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings assigned to PTC Industries Limited (PTCIL) factor in the established operational record of the company and experience of its promoters in the niche, specialised metal casting industry, along with its diversified product profile with presence across industries like oil and gas, LNG[1] processing, aerospace, defence, marine, energy and pulp and paper. Further, the sales are diversified geographically, and exports have generated more than 80% of PTCIL's revenue since FY2022. PTCIL, supported by its strong technological capabilities, has developed a reputed client base that includes customers like Rolls Royce Marine, Dassault Aviation, HAL[2], MoD[3] and Israel Aerospace Industries. The ratings also factor in PTCIL's robust financial risk profile supported by healthy OPM[4] and comfortable capitalisation and coverage indicators. The company has also raised equity of Rs. 1,082.3 crore since FY2023, including Rs. 675.9 crore (net of issue expenses) through a QIP[5] completed on September 03, 2024. This improved the company's liquidity profile and net worth position.

The ratings are, however, constrained by the company's modest scale of operations with a total operating income of Rs. 256.9 crore in FY2024 and Rs. 119.2 crore in H1 FY2025 and high working capital intensity of the business owing to high inventory and receivable days. Given that PTCIL's raw materials costs are essentially driven by commodity prices, its profitability also remains exposed to the volatility in the prices of its raw material. However, the risk is mitigated to an extent with the company following a dynamic pricing strategy to address fluctuations in raw material costs.

The company has a planned project costing around Rs. 700 crore, of which Rs. 250 crore has already been incurred till September 2024. The remaining Rs. 450 crore is to be incurred over H2 FY2025 to FY2027. The project is expected to diversify PTCIL's product profile by enhancing its capabilities with more focus on metals like titanium and nickel/cobalt superalloys while also increasing its presence in the domestic market, with a significant contribution from the defence sector. This capex shall be funded partially through a debt of around Rs. 300 crore and partially through PTCIL's internal accruals and available liquidity. Given the scale of the project, PTCIL remains exposed to risks associated with project execution and scale-up of operations. However, the risks are partially mitigated by the satisfactory progress of the project and successful implementation of pilot projects by PTCIL.

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[1] *Liquified natural gas*
[2] *Hindustan Aeronautics Limited*
[3] *Ministry of Defence*
[4] *Operating profit margins*
[5] *Qualified institutional placement*

PTCIL recently acquired TPSL[6] through the acquisition of its parent entity - Trac Holdings Limited. TPSL specialises in the business of designing and manufacturing precision-engineered components for aviation, defence and power generation markets and has a presence in the United Kingdom. The acquisition shall give PTCIL the capability of designing and precision machining that the company didn't have earlier and act as a forward integration of its existing business.

The stable outlook on PTCIL's long term rating reflects ICRA's opinion that PTCIL will continue to benefit from established operational track record and technological capabilities, which coupled with steady demand outlook for its products is expected to support its future revenue growth and earnings.

Key rating drivers and their description

Credit strengths

Established track record of operations and extensive experience of promoters – PTCIL was incorporated in 1963 as a foundry for import substitution in India and has a long track record in the industry, wherein it has been able to navigate through various changes in the industry over the years. In the last two decades, it has developed in-house technologies like replicast, rapidcast, printcast and forgecast to establish itself as a specialised metal casting company. Mr. Sachin Agarwal, the Managing Director, has an experience of more than three decades in the industry. PTCIL also benefits from the long experience of its other directors in the industry.

Diversified product and geographical profiles with significant presence in export markets – PTCIL has a strong and diversified product profile that includes a wide range of specialised castings, machined components and fabricated parts made from metals like stainless steel, duplex, super duplex stainless steel, NAB[7], other high alloys, titanium, etc. These products are used across various industries including oil and gas, LNG processing, aerospace, defence, marine, energy and pulp and paper. PTCIL, supported by its strong technological capabilities, has established its presence in the export markets which generate more than 80% of its overall revenue (82% in FY2024). Within the exports business, PTCIL's revenue is diversified across countries like Finland, Norway, the US, China, Netherlands, etc.

Reputed client base – Being present in a niche segment with a relatively lower competition on account of the high technology barriers, PTCIL has been able to develop strong associations with reputed Government and private companies that include customers like Rolls Royce Marine, Dassault Aviation, Hindustan Aeronautics Limited (HAL), Ministry of Defence (MoD) and Israel Aerospace Industries. This has led to repeat business for the company over the years, supporting its revenue growth.

Healthy financial risk profile – PTCIL has a robust financial risk profile characterised by healthy OPM, albeit at a moderate scale, and comfortable debt protection metrics. Its OPM has improved consistently over the last six years to 28.3% in FY2024 from 16.0% in FY2019, driven by its technological innovation, increasing economies of scale and expansion of business to titanium castings. Moreover, the company has raised sizeable funds of Rs. 1,082.3 crore between FY2023 and H1 FY2025 through a mix of rights issue, preferential issue, convertible share warrants and a QIP of Rs. 675.9 crore (net of issue expenses), which has led to build-up of surplus funds and a significant expansion in its net worth to Rs. 1,344.1 crore as on September 30, 2024 from Rs. 168.5 crore as on March 31, 2022. This, coupled with low reliance on debt, led to a comfortable gearing of 0.1 times as on September 30, 2024, and 0.3 times as on March 31, 2024. Its TD/OPBDITA[8] was 1.8 times as on September 30, 2024 and 2.5 times as on march 31, 2024 while the interest coverage was 4.7 times in H1 FY2025 and 4.8 times in FY2024.

ICRA has taken note of PTCIL's acquisition of TPSL and planned capex of around Rs. 450 crore to be incurred over H2 FY2025 to FY2027, which shall be funded partially through debt. However, it expects PTCIL to continue to maintain a comfortable financial risk profile, supported by its healthy margins, comfortable liquidity position and expectations of gradual scale-up in operations as the project is being developed in multiple phases.

[6] *Trac Precision Solutions Limited*

[7] *Nickel, aluminium and bronze*

[8] *Total debt/ Operating profit before depreciation, interest, taxes and amortisation*

Credit challenges

Moderate scale of operations – Being present in a niche industry, PTCIL's scale of operations is relatively modest with a revenue of Rs. 256.9 crore in FY2024 and Rs. 119.2 crore in H1 FY2025. However, its revenues have expanded at a CAGR[9] of 11% over the last five years between FY2019 and FY2024. Going forward, PTCIL's revenues are expected to grow substantially, driven by its recent acquisition of TPSL and the scale of operations from its under-development facility.

High working capital intensity – PTCIL's business is working capital intensive on account of the requirement to maintain high inventory levels including for products under development considering the lead time for order fulfilment is higher. Further, large batch size and bunching up of orders in few quarters also increase the inventory and debtor levels during specific periods. These factors have resulted in high working capital intensity with NWC/OI[10] of 75.6% and 60.4% in FY2024 and FY2023, respectively. While the business is expected to remain working capital intensive in nature, comfort can be drawn from PTCIL's adequate liquidity position and bank facilities to fund its working capital requirements.

Profitability exposed to fluctuation in raw material prices – The primary raw materials for the company include steel/steel scrap, titanium, ferro alloys, NAB, etc. The raw material costs are thus subject to volatility in the commodity prices driven by global/local demand-supply conditions and other geo-political events. Thus, the company's profitability is also exposed to the fluctuation in the raw material prices. However, the risk is mitigated to an extent with the company following a dynamic pricing strategy to address fluctuations in raw material costs.

Exposed to risks associated with project completion and scale up – The company is setting up a project costing around Rs. 700 crore, in the Lucknow node of the Uttar Pradesh Defence Industrial Corridor. The company has already incurred around Rs. 250 crore till September 2024 and the remaining Rs. 450 crore is to be incurred over H2 FY2025 to FY2027. Through this project, PTCIL is seeking to enhance its operations and capabilities in recycling and re-melting titanium, producing nickel/cobalt super alloys for aerospace and defence applications and producing castings and other downstream applications like forging and rolling. Thus, PTCIL is exposed to the risks associated with projects under development, including timely completion without any major cost overruns and adequate scale-up after commissioning of the project. The risk is, however, partially mitigated by the satisfactory progress of the project till date, including the successful commissioning of the VAR[11] furnace with an annual capacity of 1,500 metric tonnes for producing aerospace-grade titanium alloy ingots.

Environmental and social risks

Environmental considerations – PTCIL operates in the specialised metal casting industry and requires various raw materials and considerable energy and water requirements. PTCIL has taken several steps to safeguard the environment against the impact of its operations, and possible regulatory action for violation of applicable environmental laws. This includes minimising waste at every stage of production, water management through reusing water and implementing water-saving technologies across its facilities, operating a zero liquid discharge plant and adopting cleaner burning fuels to minimise emissions of carbon dioxide and greenhouse gases.

Social considerations – PTCIL has a dependence on human capital and hence, retaining talent, maintaining healthy employee relations, as well as supplier ecosystem remain essential for disruption-free operations. PTCIL's ability to manage risks related to safety in the areas of process, and occupational health, while developing safety leadership capabilities, is also a key factor from the social consideration perspective.

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9 *Compound annual growth rate*

10 *Net working capital/ operating income*

11 *Vacuum Arc Remelting*

Liquidity position: Adequate

PTCIL's liquidity is **adequate**, supported by cash and cash equivalents of Rs. 704.3 crore and unutilised working capital limits of Rs. 57.8 crore as on September 30, 2024, in addition to healthy cash accruals. Against this, the company has a planned capex of around Rs. 450 crore to be incurred over H2 FY2025 to FY2027 (in addition to an acquisition of TPSL), which shall be funded by a mix of debt and internal accruals. The company also has repayment obligations of Rs. 65.6 crore (including prepayments completed during the year) in FY2025 and Rs. 5.1 crore in FY2026.

Rating sensitivities

Positive factors – The ratings may be upgraded, if the company demonstrates healthy revenue growth and increase in earnings, while maintaining comfortable debt protection metrics and adequate liquidity position. Successful commissioning of its under-construction projects shall also remain a key monitorable for PTCIL's rating upgrade.

Negative factors – The ratings may be downgraded in case of a significant decline in the company's revenues and profitability, or any significantly higher-than-anticipated debt-funded capex or further increase in its working capital intensity resulting in moderation in its credit metrics and liquidity position. A specific metric that could lead to a downgrade is if Total Debt/OPBDITA is more than 2.3 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of PTCIL. As on September 30, 2024, PTCIL had one subsidiary, which is listed in Annexure - 2

About the company

PTCIL is one of the leading manufacturers in the engineering sector catering to the aerospace, defence, oil and gas, power and marine industries. It offers castings and comprehensive design support for varied range products of critical and super-critical applications including castings for pumps and valves, marine applications (like pump casings/chambers) and parts for water jet engines (such as guide vane chambers, impellers, fixed pitch propellers, propeller blades, hubs, etc., and flow control castings). The company caters to varied industries like aerospace, LNG processing, oil and gas, marine, energy, food processing and pulp and paper requiring castings of stainless steel, duplex, super duplex stainless steel, NAB, titanium, etc.

The company was incorporated in 1963 as Precision Tools & Castings Private Limited by setting up an investment casting foundry in India. It was subsequently converted into a public limited company in 1994 and in 2015 its listing was moved to the Bombay Stock Exchange (BSE). Subsequently in 2023, it was also listed on the National Stock Exchange (NSE).

Key financial indicators (audited)

PTCIL – Consolidated	FY2023	FY2024	H1FY2025*
Operating income	219.3	256.9	119.2
PAT	25.8	42.2	22.2
OPBDIT/OI	27.5%	28.3%	26.2%
PAT/OI	11.8%	16.4%	18.6%
Total outside liabilities/Tangible net worth (times)	0.8	0.4	0.1
Total debt/OPBDIT (times)	2.9	2.5	1.8
Interest coverage (times)	3.8	4.8	4.7

*Source: Company, ICRA Research; *Unaudited numbers; All ratios as per ICRA's calculations; Amounts 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

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Jan 13, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based Limits	Long Term	125.00	[ICRA]A- (Stable)	-	-	-	-	-	-
Non-fund-based limits	Short Term	50.00	[ICRA]A2+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based Limits	Simple
Short-term Non fund-based limits	Very Simple

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	**Long-term fund-based limits**	NA	NA	NA	100.40	[ICRA]A- (Stable)
NA	**Long-term fund-based limits***	NA	NA	NA	24.60	[ICRA]A- (Stable)
NA	**Short-term non fund-based limits**	NA	NA	NA	25.00	[ICRA]A2+
NA	**Short-term non fund-based limits***	NA	NA	NA	25.00	[ICRA]A2+

*Source: Company *Proposed limits*

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

Annexure II: List of entities considered for consolidated analysis

Company Name	PTCIL's Ownership	Consolidation Approach
Subsidiaries		
Aerolloy Technologies Limited	100.0%	Full Consolidation

Source: PTCIL Q2FY2025 quarterly results

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