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
Total	**50.00**	**120.00**	

**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	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

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	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in 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)/ [ICRA]A1**	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	-
3	**Unallocated Limits**	Long-Term/Short Term	45.00	**[ICRA]A (Stable)/ [ICRA]A1**	[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	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

ANALYST CONTACTS

Shamsher Dewan
91 124 4545 328
shamsherd@icraindia.com

Kinjal Shah
+91 22 6114 3442
kinjal.shah@icraindia.com

Mythri Macherala
+91 80 4332 6407
mythri.macherala@icraindia.com

Nishant Misra
+91 124 4545 862
nishant.misra@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches