

Rating Advisory

November 06, 2020 | Mumbai

PCS Auto Cast

Advisory as on November 06, 2020

This rating advisory is provided in relation to the rating of PCS Auto Cast

The key rating sensitivity factors for the rating include:

- Revenue and profitability
- Working capital management
- Capital expenditure (capex) plans and their funding

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from PCS Auto Cast (PCS) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If PCS continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt. Nov 1, 2016, SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dt. June 30, 2017 and SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt. January 3, 2020 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the Firm

PCS was formed in fiscal 2015, as a partnership firm of Mr Selva Kumar, Mr Senthil Kumar and Mr Chenniappan. The firm manufactures iron castings and has total capacity of 350 tonnes per month. Operations commenced in September 2015.

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Rating Rationale

August 19, 2019 | Mumbai

PCS Auto Cast

Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.7 Crore
Long Term Rating	CRISIL B+/Stable (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its rating on the long-term bank facility of PCS Auto Cast (PCS) at 'CRISIL B+/Stable'.

The rating continues to reflect PCS' small scale of operations and average financial risk profile. These weaknesses are partially offset by extensive experience of the partners.

Key Rating Drivers & Detailed Description

Weaknesses

* **Small scale of operations amidst intense competition:** Intense competition in the castings business may continue to constrain the scale of operations, as reflected in revenue of around Rs 18 crore in fiscal 2019.

* **Average financial risk profile:** Financial risk profile is marked by a modest networth and high gearing of around Rs 4 crore and 2.7 times, respectively, as on March 31, 2019. Debt protection metrics were moderate, marked by interest coverage and net cash accrual to adjusted debt ratios of 2.17 times and 0.12 time, respectively, in fiscal 2019. Liquidity remains comfortable, marked by sufficient cash accrual against debt obligation.

Strength

* **Extensive experience of the partners:** The two-and-half-decade-long experience of the partners in the castings business, has helped them maintain a healthy relationship with the customers.

Liquidity

* **High bank limit utilisation**

Bank limit utilisation is high at around 95 percent for the past twelve months ended June 31, 2019. CRISIL believes that bank limit utilization is expected to remain high on account large working capital requirement.

* **Cash accrual sufficient to meet debt obligation**

Cash accrual are expected to be over Rs 1.5 crores which are sufficient against term debt obligation of Rs 0.8-1 crores over the medium term.

* **Moderate current ratio**

Current ratio are moderate at around 1.2 time as on March 31, 2019.

Outlook: Stable

CRISIL believes PCS will continue to benefit from the extensive experience of its partners. The outlook may be revised to 'Positive' if sustained growth in revenue and profitability, and a stable working capital cycle, strengthen the business risk profile. Deterioration in financial risk profile, most likely because of lower-than-expected cash accrual or any large capital expenditure, may lead to a revision in outlook to 'Negative'.

About the Firm

PCS was formed in fiscal 2015, as a partnership firm of Mr Selva Kumar, Mr Senthil Kumar and Mr Chenniappan. The firm manufactures iron castings and has total capacity of 350 tonnes per month. Operations commenced in September 2015.

Key Financial Indicators

As on/for the period ended March 31	Units	2019*	2018
Operating income	Rs crore	18.17	18.23
Reported profit after tax (PAT)	Rs crore	0.49	0.53
PAT margins	%	2.7	2.9
Adjusted Debt/Adjusted Net worth	Times	2.17	2.23
Interest coverage	Times	3.05	2.84

*Provisional

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue (Rs crore)	Rating outstanding with Outlook
NA	Cash Credit	NA	NA	NA	5	CRISIL B+/Stable
NA	Term loan	NA	NA	Mar-2022	2	CRISIL B+/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	7.00	CRISIL B+/Stable			07-08-18	CRISIL B+/Stable	29-06-17	CRISIL B+/Stable		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	5	CRISIL B+/Stable	Cash Credit	4	CRISIL B+/Stable
Term Loan	2	CRISIL B+/Stable	Term Loan	3	CRISIL B+/Stable
Total	7	--	Total	7	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

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