Plasser India Private Limited

March 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	100.00	CARE A+; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Plasser India Private Ltd (PIPL) continues to derive strength from its experienced and resourceful promoters and management team, long track record of operations with established position in railway track maintenance business, and adequate liquidity position. The ratings also factor in the continued support extended by its parent, Plasser & Theurer group (leading manufacturer of railway track maintenance machines based in Austria), in the form of management, business development and financial support along with technical know-how. The ratings also derive comfort from company's stable scale of operations, its moderate financial risk profile marked by moderate gearing coupled with healthy debt coverage metrics. The ratings are, however, constrained with company's high working capital requirements resulting in elongated operating cycle and susceptibility of the profitability margins towards exchange rate movements.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of the company to improve its profitability margins with stable total operating income on a sustained basis.
- Ability of the company to reduce the customer concentration to Indian Railways and diversify the client base while maintaining its scale of operations.

Negative factors

- Any change in the ownership or financial, technical, and business support that PIPL gets from Plasser & Theurer group (P&T Group), which may have an adverse impact on its financial or business profile.
- Moderation in capital structure of the company with Total Outstanding Liability/ Tangible Net worth ratio (TOL/TNW) of more than 2.00 times on a sustained basis.

Analytical approach: Standalone

The ratings also factor in the continuing support provided by the parent group in form of management and financial support, business development and technical know-how.

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's expectation of continued support from PIPL's parent, the P&T group, and the company's sustained moderate financial risk profile over the medium term.

Detailed description of the key rating drivers:

Key strengths

Experienced and resourceful promoters and management team

PIPL is a wholly owned subsidiary of Plasser & Theurer, Vaduz, Europe (P&T, Vaduz), which is an investment company with its head office in Vaduz. Further, Plasser & Theurer Export Von Bahnbaumaschinen (P&T, Austria), another group entity is a closely-held company and is engaged in the manufacturing of machines for laying and maintenance of railway tracks all over the world. It has its manufacturing facility at Linz, Austria. Since 1953, the group has built and supplied over 15,500 heavy duty machines to 110+ countries and has over 2,000 active patents. PIPL leverages the technical know-how and industry experience of P&T, Austria in the way of financial, operational & technical and management assistance from the group entity. The company is headed by a team of professionally qualified and experienced personnel. Mr. Siegfried Fink, resident director who works in the capacity

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

of managing director and looks after the technical function besides the overall functioning and decision making of PIPL. He has more than two decades of experience in engineering, business development, financial planning & project management and is associated with PIPL since 2013. Mr. Fink is supported by other experienced directors who look after different functions like sales, project management, operations etc.

Strong Support from the Plasser & Theurer group

PIPL derives financial support from its parent entity P&T, Vaduz, which has demonstrated a track record of infusing funds in the company in the form of equity and external commercial borrowings (ECBs) to support the working capital requirements and other capital expenditure of PIPL. Also, during FY19 (refers to the period from April 01 to March 31), the promoters had infused equity amounting to Rs 84.42 crore for providing liquidity and for financing the then ongoing capex. P&T held 82.22% of the shareholding of PIPL as on March 31, 2018, and after the said equity infusion of Rs 84.42 crore, PIPL became 100% subsidiary of Plasser & Theurer, B.u.F, AG, Vaduz. The parent entity has also infused ECB of EURO 77 million for setting up a new factory and EURO 60 million for working capital requirements of the company in the past. PIPL also avails operational support from another group entity, P&T, Austria in the form of supply of components and spares, management support and technical assistance. Further, P&T supplies goods to PIPL at relaxed credit terms which helps PIPL to manage working capital requirements efficiently. PIPL procures orders by participating in various tenders of Ministry of Railways for supply of track maintenance machines. PIPL is having a technical collaboration with P&T, Austria, which provides all the technical expertise to manufacture the machines, their functioning, and the after-sales services.

Long track record of operations

PIPL has been engaged in the manufacturing of railway track maintenance machines and spares along with providing annual maintenance services and components for railway track machines for more than five decades. PIPL has supplied more than 1200 track maintenance machines to Indian Railways as well as to private players like Adani Port, TATA, GMR and L&T. PIPL was established as an extended arm of the P&T group to establish and execute business with Indian Railways (IR). PIPL's revenue stream is also highly integrated with the group's business initiatives. PIPL was established to supply machines to IR by establishing a setup in India, resulting in less manufacturing cost as compared to manufacturing of machines in Austria and then transported to India, without compromising with the quality of machines by P&T. PIPL has also started overhauling and operational maintenance of track maintenance machines supplied to Indian Railways.

Established position in railway track maintenance business

PIPL has been supplying machines and spares to Indian Railways (IR) for more than five decades. The main source of revenue of PIPL is selling of machines for railway track maintenance with other source being trading of component & spares meant for the maintenance of the machines. The components & spares are purchased primarily from P&T, Austria. It also manufactures and procures spares from domestic market with the sale of such components directly to IR as well as through authorised dealers. Further, PIPL also has a regular revenue stream from the annual maintenance contract. Presently, PIPL has annual maintenance contract with all the 17 railway zones. PIPL's revenue is essentially dependent on IR which exposes company to inherent risk of customer concentration.

Growing scale of operations although profitability margins have moderated

During FY23, PIPL's operating income increased to Rs 2506.84 crore from Rs 2286.21 crore in FY22, registering an increase of ~10% on account of the higher execution of orders in hand. During 9MFY24 (refers to the period from April 01 to December 31), company reported a total operating income of Rs 1371.87 crore which was mainly on account of timely execution of orders in hand. PBILDT (Profit before interest, lease rentals, depreciation, and taxes) margin and PAT (Profit after Tax) margin of the company moderated to 14.05% and 6.19% respectively during FY23 as against 18.29 % and 11.84% respectively during FY22 which was primarily due to volatility in raw material price along with execution of orders consisting smaller machines which have lower margins as compared to other machines. Further, PAT margin was lower due to unrealised losses on account of foreign exchange fluctuations. The scale of operations of the company is expected to moderate slightly during the next two fiscals owing to lower orders in hand. However, the management is expecting new orders from Indian Railways for track maintenance machines which will support the growth in scale of operations.

Moderate financial risk profile

The overall gearing of the company stood at 1.11x as on March 31, 2023 (PY: 1.44x), which improved mainly owing to scheduled repayment of ECB loans during FY23 coupled with accretion of profits to net worth. Overall gearing of company improved and stood at 0.81x as on December 31, 2023, due to accretion of profits to net worth coupled with scheduled repayment of ECB. The interest coverage ratio and total debt to Gross cash accruals of company although declined but stood comfortable at 3.92x and 4.32x respectively during FY23 (PY: 14.33x and 3.01x respectively).

Key weaknesses

Working capital intensive operations
The operating cycle of the company continues to remain elongated at 106 days during FY23 as compared to 97 days in FY22. Same has elongated from FY20 onwards on account of the change in the business model of the company leading to increase in turnaround time of the delivery of machines and stocking requirements of the company. The average collection period of the company moderated to 69 days during FY23 as compared to 40 days witnessed in FY22. The average inventory days of PIPL stood at 220 days during FY23 as compared to 286 days during FY22. The inventory of the company remained elongated and stood at Rs 1045.04 crore as on March 31, 2023, as against Rs. 1442.24 crore as on March 31, 2022, on account of higher inventory maintained of imported components from P&T, Austria. The company procures most of its components and spares requirement from the group entity, i.e., P&T, Austria, from which it avails credit period of 100-120 days and enables it flexibility to stretch the payments also depending on PIPL's cash flows. Thus, the average creditor days of the company remained high at 182 days during FY23 (PY: 229 days in FY22). The company supports its working capital operations through ECBs availed from the parent entity, as it availed EURO 25 million during FY20 and additional EURO 35 million during FY21.

Exposure to Forex risk
PIPL procures a significant portion of its raw material through imports from the group entity P&T, Austria and also avails funding in the form of unsecured ECBs from its parent company P&T, Vaduz. Thus, the company has to service the payables for the purchase of the components and repayments of ECBs in EURO and therefore its profitability margins remain susceptible to the fluctuations in the exchange rate movements. The company does not use any derivatives to hedge its foreign currency exposure. During FY23, the company had exceptional foreign exchange loss of Rs 76.01 crore due to the unfavourable currency movements as against a gain of Rs 60.93 crore during FY22.

Liquidity: Adequate

The liquidity profile of PIPL is adequate with current ratio of 1.78x (PY: 1.50x) and free cash and cash equivalents of Rs 183.54 crore (PY: Rs. 219.74 crore) as on March 31, 2023, and Rs 324.28 crore as on December 31, 2023. The comfort is drawn from the fact that the entire debt of the company is availed from the parent entity, P&T, Vaduz at interest rate of average six months EURIBOR + 3% p.a. The company expects cash accruals of around Rs. 165 crores during FY24 against a scheduled debt repayment of around Rs 161 crore. The company only has sanctioned non-fund-based limits from the banks of Rs 100 crore for providing performance guarantee for the bidding requirements. The utilization of the non-fund-based limits stood at ~50% on average level for the twelve months ending January 2024.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Other Industrial Products

Plasser India Private Limited (PIPL) was founded in 1965 and is engaged in the manufacturing of railway track maintenance machines, systems and components for laying and installing, renewing and maintaining tracks and overhead lines, trading of railway track maintenance components & spares along with providing annual maintenance services for railway track machines. PIPL mainly supplies machines and spares to Indian Railways and had supplied more than 1200 track maintenance machines to Indian Railways, IRCON, Konkan Railways, Delhi Metro, Nagpur Metro, Bangalore Metro as well as to private players like Adani Port, TATA, GMR, L&T, Myanmar Railways and Bangladesh Railways. The company has one operational manufacturing plant located at Faridabad (Haryana) and second plant at Vadodara (Gujarat), which was commissioned in October 2019. PIPL is 100% subsidiary of Plasser & Theurer, B.u.F, AG, Vaduz and imports components and leverages managerial and operational assistance from another group entity, Plasser & Theurer Export Von Bahnbaumaschinen, Austria. PIPL is headed by Mr. Siegfried Fink, resident director who works in the capacity of managing director. The day-to-day affairs are looked after by Mr. Fink and ably supported by a team of working experienced professionals.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	2,286.21	2,506.84	1371.87
PBILDT	418.15	352.21	179.08
PAT	270.74	155.05	75.27
Overall gearing (times)	1.44	1.11	0.81
Interest coverage (times)	14.33	3.92	4.06

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	100.00	CARE A+; Stable / CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	100.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (20-Mar-23)	1)CARE A+; Stable / CARE A1+ (10-Mar-22) 2)CARE A+; Stable / CARE A1+ (25-Feb-22)	1)CARE A+; Stable / CARE A1+ (18-Feb-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in	Sajan Goyal Director **CARE Ratings Limited** Phone: 91-120-4452017 E-mail: sajan.goyal@careedge.in Sachin Mathur Associate Director **CARE Ratings Limited** Phone: 91-120-4452054 E-mail: sachin.mathur@careedge.in Rohit Bhatia Rating Analyst **CARE Ratings Limited** E-mail: Rohit.Bhatia@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in