

P C Sons Castings Private Limited

November 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	7.58 (Enhanced from 5.22)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	27.42 (Reduced from 29.78)	CARE BB+; Stable / CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of P C Sons Castings Private Limited (PCSPL) continue to be constrained by the modest scale of operations, leveraged capital structure, and susceptibility of profitability margins to volatile raw material prices and presence in highly fragmented industry with presence of large number of unorganized players.

The ratings, however derive strength from the experienced promoters with long track record of operations in castings and forging business, reputed customer base with presence of top Original Equipment manufacturers (OEMs), and satisfactory debt protection metrics.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations above ₹ 150 crores while maintaining PBILDT margins above 6%
- Improvement in capital structure with overall gearing below 2x.

Negative factors

- Any large debt funded capex resulting in overall gearing above 4.00x
- Elongation of Working capital cycle impacting the Liquidity position of the company.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects the company's ability to maintain its market position, which coupled with stable demand scenario shall enable it to sustain its business profile over the medium term

Detailed description of key rating drivers:

Key weaknesses

Small Scale of Operations

Despite the long track record of operation, the scale of operation of PCSPL has remained small with Total Operating income (TOI) of ₹ 101.11 cores in FY24 (Audited). The company is engaged in manufacturing of cast iron products and supplies to different end user industries such as Automobiles and general engineering. The company in the past few years has benefited from the increase in demand from the automotive sector and has been able to increase its revenue at a CAGR of 28.52% from ₹ 47.63 crore in FY21 to ₹ 101.11 crore in FY24. Backed by the stable demand, the scale of operations is expected to increase in the medium term.

Moderately Leveraged capital structure.

The capital structure of the company stood leveraged with an overall gearing of 2.66x as on March 31, 2024. However, the debt coverage indicators of the company stood satisfactory marked by interest coverage of 2.41x and Total debt to PBILDT of 3.33x as on March 31, 2024. In the absence of any major capex plans, the capital structure of the company is expected to improve in the medium term.

Profitability exposed to fluctuations in raw material prices

The primary raw materials used for ductile iron casting include steel scrap and ferro alloys, whose prices are inherently volatile and driven largely by global as well as local demand and supply conditions. Hence, any volatility in the prices of these materials

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

may impact the profitability of PCSPL. However, the company is able to pass on the increase/decrease in the raw material prices with a lag of 3 months to its customers, which mitigates the raw material price risk to a certain extent.

Highly competitive and fragmented industry

The demand for the casting industry is driven primarily by growth in infrastructure, industrial growth and the need for energy efficient solutions. India is a strong base for manufacturing of casting-related products with presence of more casting units. Low entry barriers and a price-sensitive end user market have led to high competition in the industry.

Key strengths

Experienced promoters with long track record of operations in casting industry.

PCSPL was founded by Mr. M Chenniappan in the year 1994. Presently the day-to-day operations of the company are overseen by Mr. Senthilkumar, the Managing director and son of Mr. M Chenniappan. He is supported by a qualified team of professionals with substantial expertise in their respective domains.

Reputed clientele with top OEMs as the end customers.

PCSPL has a well-diversified and established customer base and caters to various end user industries such as Automotive, Industrial and Pump etc. The company supplies to some of the top OEMs through their Tier- II suppliers. With almost three decades of operations in the industry, the management has developed a long-standing & established relationship with its clientele and gets repeat orders from the same. The top five customers contributed to nearly 61.23% of total revenue in FY24 indicating client concentration risk.

Liquidity: Adequate

Liquidity of the company is adequately characterized by estimated accruals of Rs. 6-7 crores against repayment obligations of Rs. 1.75 crores in FY25. The company has working capital limits of Rs.26.00 crore, enhanced from Rs.22.00 crore during July 2024, and the average utilization of the limits stood at 92% for the past 12 months ended October 2024. The current ratio of the company stood at 1.61x as on March 31, 2024. The Promoters have infused unsecured loans of Rs. 7.42 crores as on March 31, 2024

Assumptions/Covenants : Not applicable

Environment, social, and governance (ESG) risks : Not applicable

Applicable criteria

[Definition of Default](#)

[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

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Castings & Forgings

P C Sons Castings Private Limited (PCSPL) is a Coimbatore based company founded in 1994 by Mr M Chenniappan and currently the business is handled by his son Mr. Senthilkumar. PCSPL is engaged in the business of manufacturing & supplying of grey and ductile cast iron products. PCSPL caters to various sectors such as automotive, Tractor/farm equipment, general engineering, and motor & pump industry etc. PCSPL provides foundry and machining facilities to meet its customers' requirement. As of March 31, 2024, PCSPL has an installed capacity of 1000 MT per month for foundry operations and 200MT for machining works.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	7M FY2025 (Prov.)
Total operating income	94.65	101.11	52.70
PBILDT	7.24	9.82	4.12
PAT	1.25	1.73	0.05

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	7M FY2025 (Prov.)
Overall gearing (times)	2.64	2.66	NA
Interest coverage (times)	2.69	2.41	NA

A: Audited NA: Not Available Prov.: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	01-March-2029	7.58	CARE BB+; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	27.42	CARE BB+; Stable / CARE A4+

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	7.58	CARE BB+; Stable	1)CARE BB+; Stable (13-Jun-24)	-	-	-
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	27.42	CARE BB+; Stable / CARE A4+	1)CARE BB+; Stable / CARE A4+ (13-Jun-24)	-	-	-

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

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

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