

Presstonic Engineering Limited

December 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	16.50	CARE BB; Stable	Assigned
Short Term Bank Facilities	1.50	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Presstonic Engineering Limited (PEL) factors in its small net worth base and scale of operations despite being in the business for over two decades, customer and sector concentration risk with almost entire revenues being earned from metro rail segment and working capital intensive business operations.

Rating weaknesses are partially offset by its experienced management, satisfactory orderbook position, high profitability margins aided by strong positioning in supplying seats and other interior items in metro rail and improvement comfortable capital structure post Initial Public Offer (IPO) by the company.

Going forward, PEL's ability to scale up the operations by diversifying across sectors while maintaining adequate liquidity profile would be key to its prospects.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income (TOI) to ₹75 crore, while maintaining return on capital employed (ROCE) above 20% and total outside liabilities to total net worth (TOL/TNW) of less than 1x.

Negative factors

- Fall in TOI to less than ₹20 crore or overall gearing deteriorating to over 1x.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings' expectation that PEL's business risk profile will continue to remain stable owing to its competitive position and long and established relationship with reputed clients.

Detailed description of key rating drivers:

Key weaknesses

Small net worth and scale of operations

PEL's net worth stood at ₹24.78 crore as of March 31, 2024. It's small net worth and scale of operations limits the company's financial flexibility and ability to scale up faster.

Customer concentration risk

In FY24, the top five customers accounted for ~98% of TOI. Majority revenues are earned from metro rail segment. It exposes the company to high customer and sector concentration risk. However, CARE Ratings Limited (CARE Ratings) notes that these are large and reputed companies, which reduces counterparty risk. The company is also entering new sectors such as commercial kitchen oven products, aluminium products for EVs, stainless steel solutions with low life cycle cost, which would mitigate its dependence on metro rail segment to a certain extent.

Working capital intensive business

PEL operates in a working capital intensive business with its gross operating cycle at 238 days as of March 31, 2024 (PYE: 253 days). It has high inventory days due to minimum order quantity policy, while procurement of raw materials and delays from the customers to procure goods in case of delays in metro rail projects.

Key strengths

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

Experienced management

H. Poornachandra Kedilaya (BE) and Giridhar Rao Y (M. Tech) are PEL's directors, bringing 26 years of industrial leadership across diverse domains such as metro rail, solar, HVAC, and domestic household accessories. They have grown the company from a modest 400 square feet workspace with two employees to a 65,000 square feet workshop with ~200 employees. Their extensive experience in leading a small-scale industry has provided them with a comprehensive understanding of the industry's intricacies.

High profitability with improving sales

The company's operating margins have consistently been above 20%. In FY24, it moderated to 23.06% (PY: 32.89%) due to taking additional orders with lower margins. It however grew its sales by 24.6% to ₹26.20 crore in FY24 (PY: ₹21.04 crore). While the company reported profit before interest, depreciation, and taxation (PBDIT) loss in H1FY25, CARE Ratings expects it would sustain PBDIT levels owing to its order book, resulting in improving scale of operations due to addition of machine laser, CNC machine, spot welding, rod bending machine, which also reduces vendor dependency.

Satisfactory orderbook position

The company has a satisfactory order book of close to double of its FY24 revenues other than L1 orders. These orders are from reputed clientele such as Alstom, BEML, and Siemens Mobility Austria, among others, which provides visibility to grow from FY26 onwards. However, revenues in FY25 may decline due to lower order execution in H1FY25 amid general elections in India.

Comfortable capital structure with adequate debt coverage indicators

PEL has a comfortable capital structure, marked by overall gearing of 0.57x as on March 31, 2024 (PYE: 3.66x) largely due to the IPO funds raise in FY24. Debt coverage indicators, marked by ICR stood at 1.92x in FY24 (PY: 2.58x).

Liquidity: Stretched

Small scale of operations and net worth base constrains the company's financial flexibility. Liquidity profile is marked by gross cash accruals (GCA) of ₹3.44 crore in FY24 against debt repayment of ₹1.53 crore in FY25. The company holds a cash balance of ₹3.96 crore as on September 30, 2024. The company's current ratio improved to 2.09x in FY24 (PY: 0.96).

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 manufacturing	Industrial products

PEL was originally formed as a Partnership Firm in 1996 and has its registered office in Bengaluru, Karnataka, India. It is engaged in manufacturing Metro Rail Rolling Stock Products, Metro Rail Signalling Products, and Infrastructure Products such as seats, handrails, and handles among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	21.04	26.21	3.08
PBILDT	6.92	6.04	-2.38
PAT	2.43	2.53	-4.43
Overall gearing (times)	3.66	0.57	NA
Interest coverage (times)	2.58	1.92	NM

A: Audited UA: Unaudited NA: Not Available; NM: Not Meaningful, 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	February 2027	1.84	CARE BB; Stable
Fund-based - ST-Bill Discounting/ Bills Purchasing	-	-	-	-	1.50	CARE A4
Non-fund-based - LT-Bank Guarantee	-	-	-	-	14.66	CARE BB; Stable

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	Non-fund-based - LT-Bank Guarantee	LT	14.66	CARE BB; Stable	-	-	-	-
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	1.50	CARE A4	-	-	-	-
3	Fund-based - LT-Term Loan	LT	1.84	CARE BB; Stable	-	-	-	-

LT: Long term; ST: 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 - ST-Bill Discounting/ Bills Purchasing	Simple
3	Non-fund-based - LT-Bank Guarantee	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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About us:

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