

RATING RATIONALE

PTS LIMITED

Brickwork Ratings reaffirms at BWR BB (Stable), the long-term rating for the reduced long term bank loan facilities of PTS Limited for Rs. 12.00 Crs

Particulars:

Facilities*	Amount (Rs. Crs)		Tenure	Rating**	
	Previous	Present		Previous (Dec 2018)^	Present
Fund Based	15.00	12.00	Long Term	BWR BB (Stable)	BWR BB (Stable), Reaffirmed
Total	15.00	12.00	Rs. Twelve Crores Only		

* Details of Bank Loan facilities are provided in Annexure-I

**Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

^Moved to Ratings not Reviewed category on 26/12/19

RATING ACTION: Rating Reaffirmed

Brickwork Ratings (BWR) has essentially relied on the audited financial statements of PTS Limited (PTSL or the company) upto FY19, provisional financials for FY 20, projected financials upto FY21, publicly available information, and information/clarifications provided by the company's management and its bankers, to arrive at the present ratings.

BWR has reaffirmed '**BWR BB**' with a **Stable** outlook for the long-term bank loan facilities for Rs. 12.00 Crs of the company. The reaffirmed ratings continue to derive strength from the experienced management, synergy with group entities, acceptable coverage metrics, as well as the company's dealer network and registered brand.

The rating is, however, constrained by the modest financial risk profile, working capital intensive nature of operations, thin profitability margins, and the intense competition prevailing in this industry.

The rating has been assigned a **Stable** outlook as the business risk profile of the company is stable, and growth in business and profitability is expected to be maintained in the medium term.



KEY RATING DRIVERS

Credit Strengths:

- **Experienced promoters:** PTSL is a family owned business with experienced directors on the board running the business. Mr Manoj Kumar Goyal, Director of the Company, who looks after the overall management of the company, has an experience of more than seventeen years in this industry. The other directors, Mr Ram Niwas Goyal and Mrs Pooja Goyal, have more than 25 years and 15 years of experience, respectively, in this industry.
- **Synergy with group concerns:** PTSL has six other group concerns engaged in a similar line of business (i.e. Trading of Tiles, Ceramics, Sanitary Ware, PVC Pipes, Fittings etc.), managed by the common promoters - thus providing synergy in terms of business operations, clients and suppliers.
- **Dealer Network and Registered Brand:** The company has a strong dealer network for the group as a whole and has its own trademark products, under the brand name of "MYRA".
- **Acceptable coverage metrics:** The ISCR of the company stood at 1.24x in FY 19.

Credit Risks:

- **Modest financial risk profile:** The financial profile of the company is modest marked by total operating income of Rs. 106.98 Crs, EBIDTA Rs. 1.60 Crs, PAT Rs. 0.21 Crs and tangible net worth Rs. 5.26 Crs, in FY 19. As per FY 20 provisionals, the corresponding figures stood at Rs. 85.41 Crs, Rs. 1.74 Crs, Rs. 0.38 Crs and Rs. 5.48 Crs respectively.
- **Working capital intensive nature of operations:** PTSL's operations are working capital intensive as the company is required to maintain Inventory around 60-75 days. Moreover, the working capital utilization with its bank in the last one year, ending 31/3/20, was more than 95%.
- **Thin profitability due to trading nature of business:** Generally, the trading business has low profitability as reflected in the operating profit margins and net profit margins of PTS Ltd. at 1.50% and 0.20% respectively, in FY 19, which needs to be improved consistently over the years, considering that competition is high.
- **Intense Competition:** The industry (trading of building materials) as a whole is highly competitive in nature with presence of a large number of organized and unorganized players in the sector.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria given below (hyperlinks provided at the end of this rationale).



RATING SENSITIVITIES:

Positive Triggers

Factors that could lead to an upgrade in ratings are as follows:

1. A significant overall improvement in the Topline and profitability, while maintaining adequate liquidity
2. Specific credit metrics that could lead to an upgrade include the following:
 - An improvement in the operating profit margin on a sustained basis
 - Efficient working capital management
 - ISCR consistently greater than 2.0

Negative Triggers

Negative pressure on the company's rating could arise due to the following:

1. If there is a deterioration in the company's liquidity position
2. Specific credit metrics that could lead to a downgrade include the following:
 - Decline in sales vis-a-vis the projections by more than 7%
 - A deterioration in operating profit margins to below 1.5%

LIQUIDITY POSITION: STRETCHED

The liquidity position of the Company is stretched, as reflected by low cash accruals of Rs. 0.21 Crs in FY 19, after meeting interest obligations. As per FY 20 provisionals and projections for FY 21, the cash accruals are expected to be Rs. 0.23 Crs and Rs. 0.27 Crs respectively, after meeting its expected repayment obligations. The average utilisation of the sanctioned working capital limits for PTS Ltd for the past twelve months ended March 2020 stood at more than 95%. The company has availed the RBI Covid-19 moratorium for interest on cash credit till 31/8/2020. The Cash and Cash equivalents as on 31/3/19 and 31/3/20 stood at Rs. 0.01 Crs and Rs. 0.02 Crs respectively. Since the company is operational, the operating expenses would be met through its operating income.

COMPANY PROFILE

Incorporated in 2016, PTS Ltd. runs under the directorship of Mr. Manoj Kumar Goyal, Mrs. Pooja Goyal and Mr. Ram Niwas Goyal. PTSL is a part of the Assam based PTS group. The Company is engaged in the wholesale trading of Tiles, Ceramics, Sanitary wares, PVC Pipes and fittings, Chrome plated fittings, Marble, Granite, etc. The company has its own trademark products under the brand name of "MYRA". Most of its products are sourced from Morbi (Gujarat), which is the manufacturing hub of ceramic tiles.



KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY19 (Audited)	FY18 (Audited)
Operating Revenue	Rs. Crs	106.98	93.28
EBITDA	Rs. Crs	1.60	0.80
PAT	Rs. Crs	0.21	0.19
TNW	Rs. Crs	5.26	5.04
Total Debt/TNW	Times	2.29	2.38
Current Ratio	Times	1.35	1.33

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: Standard covenants

NON-COOPERATION WITH PREVIOUS RATING AGENCY: None

RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawals and suspensions):

Facilities	Current Rating (June 2020)			Rating History								
	Tenure	Amt (Rs. Crs)	Rating	2019	24/12/18 [^]	3/8/17 ^{^^}						
Fund Based (FB)	Long Term	12.00	BWR BB (Stable) (Reaffirmed)* *Reaffirmed with reduction in amount	-	<table border="1"> <tr> <td>FB</td> <td>15.00</td> <td>BWR BB (Stable) (Upgraded)**</td> </tr> </table> **Upgraded with increase in amount	FB	15.00	BWR BB (Stable) (Upgraded)**	<table border="1"> <tr> <td>FB</td> <td>12.00</td> <td>BWR BB- (Stable) (Assigned)</td> </tr> </table>	FB	12.00	BWR BB- (Stable) (Assigned)
FB	15.00	BWR BB (Stable) (Upgraded)**										
FB	12.00	BWR BB- (Stable) (Assigned)										
Total		12.00		Rs. Twelve Crores Only								

[^]Moved to Ratings not Reviewed category on 26/12/19

^{^^}Moved to Ratings not Reviewed category on 5/11/18

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)

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PTS Limited
ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1.	State Bank of India	Cash Credit	12.00	-	12.00
Total (Rupees Twelve Crores Only)					12.00

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About Brickwork Ratings :Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



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