

Press Release

PCM Stresscon Overseas Ventures Limited

May 19, 2022



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	132.30	-	ACUITE D Downgraded
Bank Loan Ratings	7.70	ACUITE D Downgraded	-
Total Outstanding Quantum (Rs. Cr)	140.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE B+**' (read as **ACUITE B plus**) and short-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.140 crore bank facilities of PCM Stresscon Overseas Ventures Private Limited (PSOVL).

Rationale for rating downgrade

The rating downgrade reflects multiple instances of delay in servicing of term debt and LC devolvement by PSOVL in the past and recently in April'22 as confirmed by the banker. Confirmation of curing of default as per Acuite's default recognition criteria will remain a key rating sensitivity.

About the Company

Incorporated in 2006, West Bengal based PCM Stresscon Overseas Ventures Limited (PSOVL) is part of the PCM group with PCM Cement Concrete Private Limited (PCCPL rated at SMERA BBB-/Stable/A3) holding 61 per cent in PSOVL. The company is engaged in manufacturing of pre-stressed concrete sleepers. Over the years, PSOVL has successfully executed projects for production and supply of pre-stressed concrete railway sleepers for North-South Railway Project of Saudi Arabia Railways (SAR) and Etihad Rail in the UAE. The company is presently executing a project in the domestic market for The Dedicated Freight Corridor Corporation of India (DFCC), Larsen & Toubro Limited, Tata Projects Limited and IRCON International Limited.

About the Group

PCM group promoted by Late Padam Chand Mittal has diversified business interest. The group has a presence in manufacturing of concrete railway sleepers, flash butt welding, real estate, tea, media etc. In 1991, the group ventured in manufacturing of railway sleepers and flash butt welding through PCCPL. Over the years, the group has promoted PCM Stresscon Overseas Ventures Limited for manufacturing of prestressed concrete sleepers in the international market with plants in Saudi Arabia, UAE and India. PCM Tea Processing Private Limited was incorporated in 1999 is engaged in the processing of black tea. In 2013, PCCPL acquired Rail One AG. A German company engaged in manufacturing of concrete railway sleepers having global presence in the markets of Germany, Hungary, Romania, Spain, Turkey,

South Korea, USA and Saudi Arabia. Since acquisition in 2013, the group is deriving a majority of its revenue from PCM rail One AG.

Analytical Approach

The team has taken a consolidated view of PCCPL with PCM Rail one AG, PCM Stresscon Overseas Ventures Limited, PCM Tea Processing Private Limited, PCM Hydel Power Corporation Limited, DDM Alloys Casting Private Limited, PCM Cement Concrete Private FZE, PCM Stresscon International Private Limited, PCM Power Trading Private Limited, Railtrack Equipment, Services Private Limited, PCMS Infrastructure Company Private Limited, Rail Track Concrete Products Private Limited, Sathi Builders Private Limited PCMCCPL & Cabcon India Private Limited thereby including 6 subsidiaries, 7 associates and a JV while assigning the ratings. The consolidation has been on account of common promoters, a similar line of operations and cross guarantees. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

PCM group, promoted by Mr. Kamal Kumar Mittal, has a long track record of more than two decades in the manufacturing of sleepers and flash butt welding. Currently, the business is managed by the Mittal family with the second and third generation actively involved in the business. The extensive experience of the promoters is reflected through the established relationships with the group's customers and suppliers.

Acuité believes that PCM Group will continue to benefit from its established track record of operations and experienced management and their long-standing relationships with reputed customers and suppliers.

Geographically diversified operations

PCM group has presence across geographies for railway sleepers such as Germany, Romania, Saudi Arabia, Spain, Turkey, Hungary, USA to name a few and derives around 86 per cent of revenues from these markets. PCM Rail One AG enjoys a dominant position in Germany as well as entire Europe. Besides, the group is also present in the domestic market through PCM Cement and enjoys a comfortable position in the North East in the sleeper segment.

Acuité believes that the group's presence across the globe will continue to support its business profile and enhance its market share.

Weaknesses

Delays in servicing of debt obligations

The latest feedback received from the bankers confirm that PSOVL has been delaying the servicing of its debt obligations and instances of LC devolvement in the past as well as recently in the month of April 2022.

Rating Sensitivities

- Confirmation of curing of default as per Acuite default recognition criteria.

Material covenants

None

Liquidity Position - Poor

PSOVL has poor liquidity profile marked by recent instances of delays in servicing of debt obligations and LC devolvement.

Outlook

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	1121.98	1300.81
PAT	Rs. Cr.	8.52	31.21
PAT Margin	(%)	0.76	2.40
Total Debt/Tangible Net Worth	Times	0.90	0.87
PBDIT/Interest	Times	3.64	3.70

Status of non-cooperation with previous CRA (if applicable)

- CARE vide its press release dated 16 August 2021, has mentioned the rating of PCCPL to 'CARE B+/A4' (Reaffirmed & Issuer Not Cooperating) as on 16 August 2021.
- India Ratings vide its press release dated 23 January 2019, has mentioned the rating of PCCPL to 'IND BB+' (Reaffirmed & Issuer Not Cooperating) as on 23 January 2019.
- CRISIL vide its press release dated 28 January 2022, has mentioned the rating of PSOVL to 'CRISIL B/A4' (Reaffirmed & Issuer Not Cooperating) as on 28 January 2022.

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Oct 2021	Proposed Bank Guarantee	Short Term	32.30	ACUITE A4 (Issuer not co-operating*)
	Letter of Credit	Short Term	34.29	ACUITE A4 (Issuer not co-operating*)
	Term Loan	Long Term	7.07	ACUITE B (Issuer not co-operating*)
	Bank Guarantee	Short Term	66.34	ACUITE A4 (Issuer not co-operating*)
14 Aug 2020	Letter of Credit	Short Term	34.29	ACUITE A4 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	32.30	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	66.34	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	7.07	ACUITE B Stable (Reaffirmed)
16 Jun	Bank Guarantee	Short Term	66.34	ACUITE A4 (Downgraded from ACUITE A4+)
	Term Loan	Long Term	7.07	ACUITE B Stable (Downgraded from ACUITE BB)
	Proposed Term Loan	Long Term	22.66	ACUITE B (Downgraded and Withdrawn)

2020	Proposed Letter of Credit	Short Term	51.45	ACUITE A4 (Downgraded and Withdrawn)
	Letter of Credit	Short Term	34.29	ACUITE A4 (Downgraded from ACUITE A4+)
	Proposed Bank Guarantee	Short Term	32.30	ACUITE A4 (Downgraded from ACUITE A4+)
03 Jul 2019	Proposed Letter of Credit	Short Term	51.45	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Proposed Term Loan	Long Term	22.66	ACUITE BB (Downgraded and Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	126.70	ACUITE A4+ (Downgraded and Issuer not co-operating*)
12 Apr 2018	Proposed Term Loan	Long Term	22.66	ACUITE BBB- Stable (Assigned)
	Proposed Letter of Credit	Short Term	51.45	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	126.70	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	65.71	ACUITE D Downgraded (from ACUITE A4)
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	34.29	ACUITE D Downgraded (from ACUITE A4)
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	32.30	ACUITE D Downgraded (from ACUITE A4)
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	7.70	ACUITE D Downgraded (from ACUITE B)

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About Acuité Ratings & Research

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