

May 19, 2015

Facilities	Amount (Rs. Crore)	Ratings
Term Loan I	10.00	SMERA BB+/Stable (Assigned)
Term Loan II	5.00	SMERA BB+/Stable (Assigned)
Term Loan II	0.26	SMERA BB+/Stable (Assigned)
Cash Credit	4.00	SMERA BB+/Stable (Assigned)
Bank Guarantee	1.60	SMERA A4+ (Assigned)
Letter of Credit	0.25	SMERA A4+ (Assigned)

SMERA has assigned a long-term rating of '**SMERA BB+**' (**read as SMERA double B plus**) and a short-term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the abovementioned bank facilities of Thermolab Scientific Equipments Private Limited (TSEPL). The outlook is '**Stable**'. The ratings are supported by the company's established operations, experienced management and reputed clientele. The ratings also draw comfort from the company's healthy financial risk profile and strong liquidity position. However, the ratings are constrained by the company's modest-scale operations. The ratings factor in risks related to the company's debt-funded capex plan.

TSEPL, established in 1967, is a Thane-based company engaged in manufacturing and export of scientific equipment. TSEPL also provides stability testing and sample storage services. The company benefits from its experienced management. Mr. Sandip Mhatre and Ms. Neelam Mhatre, directors of TSEPL, have around 25 years of experience in the company's line of business. TSEPL has established relations with several reputed customers such as Dr. Reddy Laboratories Limited, IPCA Laboratories Limited and Cadila Healthcare Limited.

TSEPL's healthy financial risk profile is reflected in low debt-equity ratio of 0.07 times as on March 31, 2014 and strong interest coverage ratio of 34.61 times in FY2013–14 (refers to financial year, April 01 to March 31). The company's sound liquidity position is evidenced by low utilisation (~50 per cent) of cash credit limit during August 2014 to January 2015.

TSEPL has modest-scale of operations marked by operating income of Rs.41.22 crore in FY2013–14. The company plans to shift its manufacturing operations from Vasai to Palghar and Nagpur. The project cost is estimated at Rs.22.00 crore, which is likely to be funded through promoter's funds of Rs.7.00 crore and term loan of Rs.15.00 crore. SMERA believes the aforementioned capex will have an adverse impact on the financial risk profile of TSEPL.

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Outlook: Stable

SMERA believes TSEPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and established relations with customers. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and cash accruals while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues and cash accruals, or in case of deterioration in the company's financial risk profile and liquidity position.

About the company

TSEPL was established as a proprietorship concern in 1967. The firm was converted into a private limited company in 1995. TSEPL undertakes manufacturing of scientific equipment. The company also provides stability testing and sample storage services. TSEPL has a manufacturing unit in Vasai, Maharashtra.

For FY2013-14, TSEPL reported profit after tax (PAT) of Rs.5.53 crore on operating income of Rs.41.22 crore, as compared with PAT of Rs.5.07 crore on operating income of Rs.34.02 crore in FY2012-13. The company's net worth stood at Rs.28.11 crore as on March 31, 2014, as compared with Rs.22.86 crore a year earlier. TSEPL registered revenue of Rs.50.00 crore (provisional) during April 01, 2014 to March 15, 2014.

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