

April 29, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	2.10	SMERA B/Stable (Assigned)
Cash Credit	3.00*	SMERA B/Stable (Assigned)
Letter of Credit	2.00^	SMERA A4 (Assigned)
Bank Guarantee	0.08	SMERA A4 (Assigned)

** Includes sub limit of Export Packing Credit to the extent of Rs. 0.25 Crore and Foreign Bill Purchase to the extent of Rs. 0.25 Crore*

^ Fully interchangeable to Buyers Credit to the extent of Rs. 2.00 Crore

SMERA has assigned ratings of '**SMERA B**' (read as **SMERA single B**) and '**SMERA A4**' (read as **SMERA A four**) to the above-mentioned bank facilities of Tuffcell Board Private Limited (TBPL). The outlook is '**Stable**'. The ratings are constrained by the company's limited track record of operations and small operating scale. The ratings are also constrained by the company's low net profit margin and weak debt protection metrics. The ratings factor in the risks related to the company's high level of customer concentration amidst intense competition prevalent in the plastic industry. However, the ratings are supported by the company's experienced management and moderate liquidity position.

TBPL, established in 2011, is an Ahmedabad-based company engaged in manufacturing of polyvinyl chloride (PVC) sheets. TBPL's net profit margin is low at 1.14 per cent in FY2012-13 (refers to financial year, April 01 to March 31) due to high interest cost. The company has weak debt protection metrics, as reflected in moderate leverage (debt-to-capital ratio) of 2.44 times and low net worth of Rs.1.81 crore as on March 31, 2013. TBPL's total debt of Rs.4.40 crore (as on March 31, 2013) includes working capital loans and unsecured loans of Rs.0.76 crore. The company is exposed to customer concentration risk as it derives ~50 per cent of its total revenues from a single customer. TBPL faces intense competition from several players in the plastic industry.

TBPL benefits from its experienced management. Mr. Dharmesh Patel, director of TBPL, has around seven years of experience in the plastic industry.

Outlook: Stable

SMERA believes TBPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability amidst intensifying competition in its area of operation, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

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About the company

TBPL, established in 2011, is an Ahmedabad-based company promoted by Mr. Dharmesh Patel and Mrs. Mamta Patel. TBPL is engaged in manufacturing of PVC sheets.

For FY2012-13, TBPL reported PAT of Rs.0.06 crore on operating income of Rs.4.95 crore. The company's net worth stood at Rs.1.81 crore as on March 31, 2013.

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