

December 30, 2013

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit*	5.00	SMERA BB-/Stable (Assigned)
Packing Credit*	5.00	SMERA BB-/Stable (Assigned)
Term Loan	0.21	SMERA BB-/Stable (Assigned)
Letter of Credit[^]	2.00	SMERA A4+ (Assigned)
Bank Guarantee[^]	2.00	SMERA A4+ (Assigned)

*100 per cent interchangeable subject to maximum utilisation of Rs.5.00 crore

[^]100 per cent interchangeable subject to maximum utilisation of Rs.2.00 crore

SMERA has assigned ratings of '**SMERA BB-**' (**read as SMERA double B minus**) and '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.7.21 crore bank facilities of Thermotech Systems Limited (TSL). The outlook is '**Stable**'. The ratings are constrained by the company's small scale of operations and average financial risk profile. The ratings are further constrained by the susceptibility of the company's profit margins to raw material price volatility and foreign exchange rate fluctuations. However, the ratings derive support from the company's experienced management and healthy profitability.

TSL is an Ahmedabad-based company engaged in manufacturing of industrial heating equipment and heating systems such as thermic fluid heaters, steam boilers, air heaters and hot water heaters. TSL has a small scale of operations despite a long track record spanning over two decades in the same line of business. The company reported operating income of Rs.27.11 crore (provisional) and PAT of Rs.0.87 crore (provisional) in FY2012-13 (refers to financial year, April 01 to March 31).

TSL has moderate debt protection metrics with leverage at 1.05 times as on March 31, 2013 and interest coverage ratio of 2.95 times in FY2012-13. The company's net worth stood at Rs.4.40 crore as on March 31, 2013 as compared with Rs.3.10 crore a year earlier.

TSL's main inputs include mild steel sheets, tubes and pipes, which are subject to high price volatility. The company caters to customers in the domestic and international markets. TSL's exports account for about 40 per cent of its total revenues and the company's main export markets include Sri Lanka, Middle East and Africa. TSL does not hedge its foreign exchange exposure and is thus susceptible to unfavourable movements in foreign exchange rates.

TSL benefits from its experienced management. Mr. Kanubhai Jethalal Shah, Director of TSL, has over 25 years of experience in the industrial heating equipment industry. TSL caters to customers

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across various industries such as chemicals, textile, wood, oil and gas, confectionery and food and beverages.

TSL reported healthy operating profit margins of 6.88 per cent in FY2011-12 and 6.45 per cent in FY2012-13. Further, the company registered net profit margins of 2.93 per cent in FY2011-12 and 3.21 per cent in FY2012-13.

Outlook: Stable

SMERA believes that TSL will continue to benefit over the medium term from its long-standing presence in the industry and experienced management. The outlook may be revised to 'Positive' in case the company scales up its revenues while achieving higher profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues and profit margins.

About the company

TSL was incorporated on July 04, 1995 to take over the running business of Thermotech Systems, a partnership firm established in April 1988. TSL is an ISO 9001:2008 certified company engaged in manufacturing of industrial heating equipment and heating systems such as thermic fluid heaters, steam boilers, air heaters, and hot water heaters. TSL is headed Mr. Kanubhai Jethalal Shah. The company has a manufacturing unit in Vatva, Ahmedabad.

For FY2011-12, TSL reported PAT of Rs.0.59 crore on operating income of Rs.20.20 crore, as compared with PAT of Rs.0.25 crore on operating income of Rs.15.42 crore for FY2010-11. For FY2012-13 (as per provisional financials), TSL reported PAT of Rs.0.87 crore on operating income of Rs.27.11 crore.

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