

Tirupati Foam Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	25.00	SMERA BB+/Stable (Assigned)
Term Loan	10.70	SMERA BB+/Stable (Assigned)
Bank Guarantee	0.08	SMERA A4+ (Assigned)
Letter of Credit	7.15	SMERA A4+ (Assigned)
Proposed Long Term	1.07	SMERA BB+/Stable (Assigned)

SMERA has assigned ratings of '**SMERA BB+**' (**read as SMERA double B plus**) and '**SMERA A4+**' (**read as SMERA A four plus**) to the Rs.44.00 crore bank facilities of Tirupati Foam Limited (TFL). The outlook is '**Stable**'.

The ratings derive comfort from the long track record of operations, experienced management, pan India distribution network and moderate financial risk profile. Further, the ratings are also supported by the improving profit margins. However, the ratings are constrained by the declining scale of operations, working capital intensive business and intense market competition.

TFL was established in 1986 to manufacture polyurethane foam. The company started off as an industrial foam manufacturer. Subsequently, it decided to sell its own brand of mattress - 'Sweet Dream' through its distribution network of over 20 dealers pan India. The moderate financial risk profile of the company is marked by gearing of 1.73 times as on March 31, 2016 and ICR of 1.96 times for FY2015-16. The profit margins have improved during the period under study. The EBIDTA margins improved from 9.45 per cent in FY2012-13 to 11.73 per cent in FY2015-16. Further, PAT margins improved from 0.73 per cent in FY2012-13 to 1.98 per cent in FY2015-16.

However, TFL's revenues have declined during the period under study from Rs.92.41 crore in FY2013-14 to Rs.77.12 crore in FY2015-16 on account of increasing competition. The operations are working capital intensive evident from the gross current assets of 167 days for FY2015-16 and 171 days for FY2014-15. The company faces intense competition from established brands such as Sleepwell, Kurl On and Duroflex. The company also faces competition from unorganised players.

Rating Sensitivity Factors

- Increase in scale of operations while maintaining stable profit margins
- Efficient working capital management
- Volatility of raw material prices

Outlook-Stable

SMERA believes TFL will continue to maintain a stable outlook over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company generates larger than expected cash flows while scaling up operations and maintaining profitability margins. Conversely, the outlook may be revised to 'Negative' in case of lower than expected capacity utilisation leading to declining revenues and profit margins.

Criteria applied to arrive at the ratings

- Manufacturing Entities

About the Company

TFL, incorporated in 1986 is engaged in the manufacture of bedding, quilts, pillows, cushions and sleeping bags. The company has two manufacturing plants at Noida and Ahmedabad with installed capacity of 6000 MTPA each. TFL sells its products under the 'Sweet Dream' brand name.

TFL registered profit after tax (PAT) of Rs.1.53 crore on operating income of Rs.77.12 crore for FY2015-16 as compared to PAT of Rs.1.32 crore on operating income of Rs.86.26 crore in FY2014-15.

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ABOUT SMERA

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