

Press Release

14 June, 2017

TLT Engineering India Private Limited

Rating Assigned



Total Bank Facilities Rated*	Rs 46.50 Cr
Long Term Rating	SMERA BB+/Stable(Assigned)
Short Term Rating	SMERA A4+ (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.46.50 crore bank facilities of TLT Engineering India Private Limited (TLT). The outlook is '**Stable**'.

TLT Engineering India Private Limited (TLT) was incorporated in 1988 by Mr.Hasmukh Chinubhai Sheth. The company is engaged in the designing, manufacturing, and after-sales service of industrial fans and accessories used in heavy engineering, oil & gas, steel and cement sectors. The manufacturing facility is located at Indrad (district Mehsana), Gujarat.

List of Key Rating Drivers and their detailed description

Strengths:

Experienced management and long track record of operations: The management possess experience of around three decades in the aforementioned industry.

Healthy financial risk profile: TLT's healthy financial risk profile is marked by comfortable debt protection metrics, gearing and healthy net worth base. The interest coverage and debt service coverage ratios stood at 3.95 times and 1.38 times in FY2016. However, the same were at 8.08 times and 2.84 times in FY2015. The decline in the above ratio is due to fluctuations in revenue while other costs including interest remained at nearly the same level. The gearing stood at 0.06 times in FY2016 as compared to 0.15 times in FY2015. The debt mainly comprises working capital limit of Rs.2.33 crore from the bank. The net worth base is comfortable and stood at Rs.45.28 crore as on 31 March, 2016.

Weaknesses:

Modest scale of operation: The modest scale of operations is marked by operating income of Rs. 43.58 crore in FY2016 as compared to Rs.58.20 crore in FY2015.

Working capital intensive nature of operation: TLT's working capital intensive operations are marked by inventory and debtors of 70 days and 142 days against creditors of 42 days in FY2016. The GCA stood at 375 days and 346 days in FY2016 and FY2015 respectively. The high GCA is mainly on account of receivables on account of interests and prepaid expenses or other claims apart from the usual debtors and inventories.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of TLT Engineering India Private Limited.

Applicable Criteria:

- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>

Outlook: Stable

SMERA believes that TLT will maintain a stable outlook in the medium term owing to its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' if TLT scales up operations while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenues and profitability or if the working capital cycle further deteriorates.

About the Rated Entity

TLT Engineering India Private Limited (TLT) was incorporated in 1988 by Mr. Hasmukh Chinubhai Sheth. The company is engaged in the designing, manufacturing, and after-sales service of industrial fans and accessories used in heavy engineering, oil & gas, steel and cement sectors. The manufacturing facility is located at Indrad (district Mehsana), Gujarat.

For FY2015-16, TLT reported profit after tax (PAT) of Rs 0.50 crore on total operating income of Rs.43.58 crore, as compared with PAT of Rs.3.45 crore on total operating income of Rs.58.20 crore in FY2014-15.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Open Cash Credit	LT	7.50	SMERA BB+/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	35.00	SMERA A4+ (Assigned)	-	-	-	-	-	-
Letter of Credit	ST	4.00	SMERA A4+ (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Open Cash Credit	N.A	N.A	N.A	7.50	SMERA BB+/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	35.00	SMERA A4+ (Assigned)
Letter of Credit	N.A	N.A	N.A	4.00	SMERA A4+ (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Abhishek Dey Analyst - Rating Operations Tel: 033 66201222 abhishek.dey@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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