

Press Release

Tec Line Industries

24 January, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.20.80 cr.
Long Term Rating	SMERA B/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B' (read as SMERA B)** on the Rs.20.80 crore bank facility of Tec Line Industries (TLI). The outlook is '**Stable**'.

The Gujarat-based Tec Line Industries (TLI), a partnership firm was established in February, 2017 by Partners, Mr. Yogin R. Pambhar, Mr. Rameshbhai D Pambhar, Mr. Akshar R Pambhar, and Mrs. Jayshreeben R Pambhar. The firm plans to set up a facility to manufacture cast PE breathable and non-breathable films at Gujarat with capacity of 2400 MT a year at an estimated cost of around Rs. 27.00 crore. The project is expected to be completed by March 2018. The firm plans to source key raw materials - plastic granules from Dow India, Exxon Mobbil India, Hanwha India Pvt. Ltd., etc. TLI plans to cater to reputed clients including Proctor & Gamble, Hygiene and Healthcare, Kimberly Clarke Hygiene Products Ltd. among others.

Key Rating Drivers

Strengths

- **Experienced management**

Mr. R. K. Kapila, a key management personnel of TLI has experience of around 35 years in the business. He has been associated with companies such as DCM Chemicals, Perfetti Van Melle, Moroe USA to name a few.

Weaknesses

- **Working capital intensive operations**

The operations are working capital intensive marked by high GCA days of 157days for FY2016-2017 as against 167 days for FY2015-16 on account of high debtor days of 113 days for FY2016-17 as against 139 days for FY2015-16. Around 90-95 percent of the working capital facility has been utilised.

- **Project implementation**

The total project cost of Rs. 27.00 crore is expected to be financed by directors' funds of Rs.7.00 crore in the form of capital, Rs. 2.00 crore in the form of unsecured loan and term loan of around Rs.17.80 crore. Commercial operations are to start by April 2018 and unit is expected to operate at 40 percent capacity in the first year. Since the project is in the implementation stage, it will be exposed to both time and cost overrun.

- **Moderately intensive competition**

The firm is engaged in the manufacture of breathable and non-breathable films with intense competition from the unorganised segment. This will lead to low bargaining power over pricing and further would cap growth and margins of the firm.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of TLI.

Outlook: Stable

SMERA believes that the outlook on TLI's rated facilities will remain Stable over the medium term on account of its managements' extensive knowledge about the industry. The outlook may be revised to 'Positive' in case of timely completion of the project without cost overruns. Conversely, the outlook may be revised to 'Negative' in case of inordinate project delays.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	NA	NA	NA
EBITDA	Rs. Cr.	NA	NA	NA
PAT	Rs. Cr.	NA	NA	NA
EBITDA Margin	(%)	NA	NA	NA
PAT Margin	(%)	NA	NA	NA
ROCE	(%)	NA	NA	NA
Total Debt/Tangible Net Worth	Times	NA	NA	NA
PBDIT/Interest	Times	NA	NA	NA
Total Debt/PBDIT	Times	NA	NA	NA
Gross Current Assets (Days)	Days	NA	NA	NA

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA B/ Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	17.80	SMERA B/ Stable

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