

## Press Release

### TECHNO BLOW MOULDERS PRIVATE LIMITED



22 February, 2018

#### Rating Assigned

|                                     |                             |
|-------------------------------------|-----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 9.96 Cr.                |
| <b>Long Term Rating</b>             | SMERA BB+ / Outlook: Stable |
| <b>Short Term Rating</b>            | SMERA A4+                   |

\* 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. 9.96 crore bank facilities of TECHNO BLOW MOULDERS PRIVATE LIMITED. The outlook is '**Stable**'.

Techno Blow Moulders Private Limited (TBMPL) incorporated in 2009 is part of the Blow Group of companies. The group, led by Mr. C. M. Baid (Founder) came into existence in 1979. The company is engaged in the manufacturing of plastic blow moulded containers for pharmaceutical, packaging, food and beverage industries. It caters to a reputed client base. The Telangana-based company procures majority of its raw materials (HDPE Granules) from Haldia Petrochemical Industries Limited, Reliance, Indian Oil Corporation Limited, Gulf Polymers, Qatar and also does deemed imports from Saudi Arabia and Singapore.

#### Key rating drivers

##### **Strengths**

- Experienced management with long track of operations**

TBMPL was incorporated in 2009 by Mr. C M Baid who has more than five decades of experience in the said industry. He is joined by Mr. Vinith Baid, Director, with over two decades of experience in the industry. The extensive experience of the promoters has helped the company maintain long standing relations with customers.

- Reputed clientele**

Having been in the business for two decades, the promoters have developed healthy relations with customers and supplier. The top 10 customers include Dr. Reddy's Laboratories Limited, SNF India Private Limited and Hindustan Colas Limited that constitute about 94 percent of the total sales. TBMPL caters to diversified industries, mainly public sector companies, through tenders.

## Weaknesses

### • Average financial riskprofile

The company has average financial risk profile marked by low networth, moderate gearing and debt protection metrics. The company has low networth of Rs.16.18 crore as on 31 March, 2017 as against Rs.14.88 crore in the previous year. Further, SMERA has considered unsecured loans of Rs.12.45 crore as quasi equity based on an undertaking received from the company that the same has been received from promoters and would be maintained in the business over the medium term. The gearing stood at 0.31 times as on 31 March, 2017 as against 0.32 times in the previous year. The total debt component of Rs.5.01 crore consists of long term borrowing of Rs.1.91 crore, unsecured loans from the promoters of Rs.1.77 crore, short term debt of Rs.0.40 crore and CPLTD of Rs.0.94 crore. The Interest Coverage ratio stood at 1.91 times as on 31 March, 2017 as against 1.88 times in the previous year. The Debt Service Coverage ratio stood at 1.32 times as on 31 March, 2017 as against 1.53 times in the previous year. The NCA/TD ratio stood at 0.36 times in FY2017 as against 0.27 times in the previous year.

### • Working capital intensive operations

The company has working capital intensive operations marked by Gross Current Asset days of 117 as against 137 in the previous year. This is due to inventory days of 32 days in FY2017 against 39 days in the previous year. The debtor days stood at 74 days as on 31 March, 2017 as against 85 days in the previous year.

### • Susceptibility to volatility in raw material prices

The major raw material required by TBMPL is polyethylene granules. The prices of these are dependent on crude oil prices which are highly volatile. The raw material accounted for more than 78.12 per cent of the total income in FY2017. Furthermore, the limited suppliers of these raw materials make it a seller's market with limited bargaining power for buyers.

## Analytical approach:

SMERA has considered the standalone business and financial risk profiles of the company.

## Outlook – Stable

SMERA believes that the outlook of TBMPL will remain stable over the medium term on account of the company's experienced management and reputed clientele base. The outlook may be revised to 'Positive' if the company achieves sustained growth in revenues while maintaining its profit margins and capital structure. Conversely, the outlook maybe revised to 'Negative' in case of steep decline in revenues and profit margins.

### About the Rated Entity - Key Financials

|                               | Unit    | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 38.92         | 30.90         | 33.78         |
| EBITDA                        | Rs. Cr. | 4.37          | 3.26          | 3.20          |
| PAT                           | Rs. Cr. | 0.72          | 0.54          | 0.63          |
| EBITDA Margin                 | (%)     | 11.22         | 10.54         | 9.49          |
| PAT Margin                    | (%)     | 1.85          | 1.75          | 1.85          |
| ROCE                          | (%)     | 16.23         | 13.18         | 27.31         |
| Total Debt/Tangible Net Worth | Times   | 0.31          | 0.32          | 0.78          |
| PBDIT/Interest                | Times   | 1.91          | 1.88          | 1.95          |
| Total Debt/PBDIT              | Times   | 1.13          | 1.44          | 2.54          |
| Gross Current Assets (Days)   | Days    | 117           | 137           | 129           |

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

Not Applicable

### Any other information:

Not Applicable

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Not Applicable

### \*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 BB+ / Stable |
| Term loans                         | Not Applicable   | Not Applicable | Not Applicable | 2.06                          | SMERA BB+ / Stable |
| Term loans                         | Not Applicable   | Not Applicable | Not Applicable | 1.40                          | SMERA BB+ / Stable |
| Letter of credit                   | Not Applicable   | Not Applicable | Not Applicable | 3.25                          | SMERA A4+          |
| Bank guarantee/Letter of Guarantee | Not Applicable   | Not Applicable | Not Applicable | 0.25                          | SMERA A4+          |

### Contacts

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### ABOUT SMERA

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