

Press Release

TECHNO BLOW MOULDERS PRIVATE LIMITED

22 February, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.96 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	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 risk profile

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 may be 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.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>

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

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in</p> <p>Deep Majumder Analyst - Rating Operations Tel: 022-67141147 deep.majumder@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.