

Press Release

Ti Anode Fabricators Private Limited (TAFPL)



March 26, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs.11.00 Crore.
Long Term Rating	SMERA B+/ Outlook:Stable
Short Term Rating	SMERA A4 (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the above mentioned bank facilities of Rs.11.00 crore of Ti Anode Fabricators Private Limited. The outlook is '**Stable**'.

Established in 1992 by Mr. V.P. Jeyakumar, Ti Anode Fabricators Private Limited (TAFPL) is engaged in manufacturing of engineering and electro chemical equipment such as cathode protection anodes, platinized titanium anodes, electrolyzers, chlorinators, HHO Generator and among others. The company has a facility located in Tambaram (Chennai).

Key rating drivers

Strengths

Experienced management and long track record of operations: TAFPL was incorporated in 1992 by Mr. V.P. Jeyakumar. The promoter has almost three decades of experience in the engineering equipment industry.

Increase in revenue and improvement in operating margins: The operating income increased to Rs. 20.62 crore in FY2017 from Rs. 16.90 crore in FY2016 due to increase in export sales. Export sales increased to Rs. 8.4 crore in FY2017 from Rs. 4.3 crore in FY2016. The company exports to Australia, Indonesia, Netherlands, Brunei, Japan among others. Operating margins increased from 3.30 percent in FY2016 to 6.43 percent in FY2017 due to better absorption of fixed costs such as employee expenses.

Weaknesses

Average financial risk profile: The average financial risk profile of the entity is marked by low net worth, high gearing levels and moderate debt protection metrics. The net worth stood low at Rs. 5.89 crore as on 31 March, 2017 as compared to Rs. 5.85 crore as on 31 March, 2016. The gearing has decreased from 2.01 times as on 31 March, 2016 to 1.65 times as on 31 March, 2017 due to decline in short term debt and repayment of term loans. The coverage indicators such as Interest Coverage Ratio (ICR) increased to 3.29 times as on 31 March, 2017 as compared to 0.10 times as on 31 March, 2016. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.08 times as on 31 March, 2017.

Working capital intensive nature of business: TAFPL has working capital intensive nature of operations marked by high gross current asset (GCA) days of 368 in FY2017 as against 521 in FY2016. This is majorly on account of high inventory holding period of 141 days in FY2017 as against 236 days in FY2016. The debtor days stood at 183 in FY2017 as against 233 in FY2016. The entity maintains high inventory levels due to scarcity of the raw materials used and to deliver to the customers on time. The entity's credit terms for few products range up to six months which led to high receivable levels.

Analytical approach:

SMERA has considered the standalone financial and business risk profiles of the TAFPL to arrive at this rating.

Outlook – Stable

SMERA believes that TAFPL will maintain its stable business risk profile on account of the management's experience. The outlook may be revised to positive in case of sustained increase in revenues and accruals while improving working capital cycle. Conversely, the outlook may be revised to negative in case of significant decline in revenues and accruals or in case of elongation of working capital cycle.

About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	20.62	16.90	16.42
EBITDA	Rs. Cr.	1.33	0.56	2.74
PAT	Rs. Cr.	0.04	-3.60	0.23
EBITDA Margin	(%)	6.43	3.30	16.66
PAT Margin	(%)	0.19	-21.32	1.37
ROCE	(%)	4.05	-1.41	18.27
Total Debt/Tangible Net Worth	Times	1.65	2.01	1.11
PBDIT/Interest	Times	3.29	0.10	1.92
Total Debt/PBDIT	Times	2.59	37.78	3.61
Gross Current Assets (Days)	Days	368	521	433

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

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

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
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B+/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B+/Stable (Assigned)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4 (Assigned)
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4 (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4 (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4 (Assigned)

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ABOUT SMERA

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