

Press Release

Ti Anode Fabricators Private Limited

April 22, 2019



Rating Downgraded and Reaffirmed

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable (Downgraded)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE B**' (**read as ACUITE B**) from '**ACUITE B+**' (**read as ACUITE B plus**) and reaffirmed short term rating of '**ACUITE A4**' (**read as ACUITE A4**) to the Rs. 11.00 crore bank facilities of Ti Anode Fabricators Private Limited (TAPL). The outlook is '**Stable**'.

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

Analytical Approach

Acuité has considered standalone business and financial risk profile of TAPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Long established presence of promoter in the industry:**

TAPL was incorporated in 1992 by Mr. V.P. Jeyakumar. The promoter has almost three decades of experience in the engineering equipment industry. The long standing presence of the promoters has resulted in building healthy relationship with the customers and suppliers.

Acuité believes that the company will be benefitted over the medium term on the back of established presence in the engineering equipment industry for more than three decades.

Weaknesses

- **Deterioration in operational performance and financial risk profile**

The financial risk profile of the company has deteriorated in FY18 on account of decline in the turnover, profitability and increase in debt level. The turnover declined to Rs.10.31 in FY18 from Rs.20.62 in FY17. The decline is mainly on account of low demand in the market for capital goods. However, for FY19, the demand has geared up and turnover of Rs.20.63 crore has been booked for FY19 (Provisional). The net worth declined to Rs.3.79 core as on March 31, 2018 from Rs.5.89 crore as on March 31, 2017 due to net loss of Rs.2.10 crore during FY18. The total debt outstanding as on March 31, 2018 stood at Rs.10.87 crore which consist of Rs.3.83 crore unsecured loan, Rs.0.17 crore loans from promoters and Rs.6.87 crore for working capital loan from bank. The gearing resultantly increased to 2.86 times as on March 31, 2018 from 1.65 times as on March 31, 2017. The coverage indicators such as Interest Coverage Ratio (ICR) declined to (0.82) times as on 31 March, 2018 as compared to 3.29 times as on 31 March, 2017. Net Cash Accruals to Total Debt (NCA/TD) stood at (0.14) times as on 31 March, 2018.

• **Elongation of working capital cycle**

TAPL has working capital intensive nature of operations marked by high gross current asset (GCA) days of 690 in FY2018 as against 386 in FY2017. This is majorly on account of high inventory holding and debtor days. Debtors stood at 225 days in FY2018 as against 183 days in FY2017. The company maintains high inventory levels due to scarcity of the raw materials used and to deliver to the customers on time. TAPL's credit terms for few products range up to six months which led to high receivable levels. Further, for FY18, the inventory level rose to 230 days in FY2018 as against 141 days in FY2017 as some of the orders were executed, however, customers delayed in taking up the stock resulting in blockage of funds in inventory.

Liquidity Position:

TAPL has weak liquidity position reflected by negative cash accruals in FY18 against maturing debt obligations. The company generated cash accruals of Rs.(1.57)-0.75 crore during the last two years through 2017-18, while its maturing debt obligations were in the range of Rs.0.12-0.77 crore over the same period. The cash accruals of the company are estimated to remain at around Rs.0.08 - Rs.0.72 crore during 2019-21. The company maintains unencumbered cash and bank balances of Rs.0.1. crore as on March 31, 2018. The current ratio of the company stood moderate at 0.99 times as on March 31, 2018.

Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of moderate cash accrual while its maturing debt obligations are estimated to be in the range of ~Rs.0.77 crore.

Outlook: Stable

Acuité believes that the outlook on TAPL's rated facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience in the industry. The outlook may be revised to 'Positive' in case of strong growth in scale of operations while improvement in profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the scale of operations, profitability or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	10.31	20.62	16.90
EBITDA	Rs. Cr.	(1.47)	1.33	0.56
PAT	Rs. Cr.	(2.10)	0.04	(3.60)
EBITDA Margin	(%)	(14.27)	6.43	3.30
PAT Margin	(%)	(20.38)	0.19	(21.32)
ROCE	(%)	(9.55)	18.58	(6.65)
Total Debt/Tangible Net Worth	Times	2.86	1.65	2.01
PBDIT/Interest	Times	(0.82)	3.29	0.10
Total Debt/PBDIT	Times	(12.33)	2.59	37.78
Gross Current Assets (Days)	Days	690	368	521

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

None

Any other information

None

Applicable Criteria

- Default Recognition <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs.in Cr.)	Ratings/Outlook
26-Mar-2018	Term Loans	Long Term	1.00	ACUITE B+/ Stable (Assigned)
	Cash Credit	Long Term	3.50	ACUITE B+/ Stable (Assigned)
	PC/PCFC	Short Term	2.50	ACUITE A4 (Assigned)
	FBN/FBP/FBD/PSFC/FBE	Short Term	1.00	ACUITE A4 (Assigned)
	Bank Guarantee/ Letter of Guarantee	Short Term	1.50	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	1.50	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B/Stable (Downgraded from ACUITE B+)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE B /Stable (Downgraded from ACUITE B+)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4 (Reaffirmed)
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Reaffirmed)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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