

## Press Release

### Technico Strips and Tubes Private Limited (TSTPL)

November 11, 2019



#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 45.95 Cr.
<b>Long Term Rating</b>	ACUITE B-/ Outlook: Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A4 (Assigned)

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) and short-term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 45.95 crore bank facilities of Technico Strips and Tubes Private Limited. The outlook is '**Stable**'.

Ludhiana based Technico Strips and Tubes Private Limited was incorporated in 1992 under the name of R.N Gupta Cycles Private Limited and engaged into cycle parts manufacturing but due to operational issue the company stopped its operation in 1995. In 2006 the company changed its name To Technico Strips and Tubes Private Limited. In 2008, company restarted its operation but as manufacturer of steel tubes and pipes for auto sector and industrial equipment's.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

- **Established track record and long standing experience of promoters**

TSTPL was established as private limited company in 1992 by Mr. Ajay Gupta under the name of R.N Gupta Cycles Private limited and engaged into cycle parts manufacturing but due to operational issue the company stopped its operation in 1995. In 2006 the company changed its name To Technico Strips and Tubes Private Limited. In 2008, company restarted its operation as a manufacturer of steel tubes and pipes for auto sector and industrial equipment's.

Mr. Ajay Gupta has an experience of almost 4 decades in the industry and Mr. Nitin Gupta S/O Mr. Ajay Gupta has an experience of around 16 years. Backed by their experience they have been able to maintain long term relations with their customers, primary customer being National Industries, Bajaj sons Limited and Technico Industries Limited.

Acuité believes the company will benefit from its experienced management which helps the company maintain long standing relations with reputed customers and suppliers.

##### Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the company stood moderate marked by net worth of Rs.12.36 crore as on March 31, 2019 (Provisional) as compared to Rs.11.65 crore as on March 31, 2018. The gearing ratio (debt to equity) stood at 3.01 times as on March 31, 2019 (Provisional) as compared to 3.15 times as on March 31, 2018 due to infusion of fund by the promoters through unsecured loan. The interest coverage ratio (ICR) decline to 1.20 times in FY2019 (Provisional) as against 1.86 times in FY2018 due to low EBITDA during the year. The debt service coverage ratio (DSCR) stood low at 0.89 times in FY2019 (Provisional) as compared to 1.29 times in FY2018.

- **Working capital intensive operations**

The operations of the company stood moderately working capital intensive in nature marked by Gross Current Asset days (GCA) of 227 days in FY2019 (Provisional) and 258 days in FY2018. The GCA stood moderate due to high receivable days of 110 days in FY2019 (Provisional) and 133 days in FY2018. The

working capital limit utilization stood high at 87.67 percent for last nine months ending September 2019. Acuité believes moderate working capital intensive management will remain key rating sensitivity factor.

#### **Rating Sensitivity Factor**

- Drop in profitability due to raw material price fluctuations.

#### **Material Covenants**

None

#### **Liquidity position: Poor**

The company has poor liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 0.94 crore for FY2019 (Provisional) while its maturing debt obligations were Rs. 1.37 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 2.29 crore to Rs. 4.04 crore during 2020-22 against repayment obligations in the range of around Rs.0.40 crore to Rs.0.80 crore. The company's working capital operations are moderate marked by gross current asset (GCA) days of 227 days for FY2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs. 0.18 crore as on 31 March 2019 (Provisional). The current ratio stands at 1.05 times as on 31 March 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain poor over the medium term on account of low net cash accrual against significant debt maturity obligations over the medium term.

#### **Outlook: Negative**

Acuité believes that TSTPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

#### **About the Rated Entity - Key Financials**

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	86.26	75.45	59.24
EBITDA	Rs. Cr.	5.55	7.17	5.81
PAT	Rs. Cr.	(1.87)	0.49	0.20
EBITDA Margin	(%)	6.43	9.50	9.80
PAT Margin	(%)	(2.16)	0.65	0.34
ROCE	(%)	5.51	9.50	14.37
Total Debt/Tangible Net Worth	Times	3.01	3.15	3.38
PBDIT/Interest	Times	1.20	1.86	1.86
Total Debt/PBDIT	Times	6.73	5.03	6.41
Gross Current Assets (Days)	Days	227	258	276

#### **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-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

#### **Note on complexity levels of the rated instrument**

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

### Rating History (Up to 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	5.50	ACUITE B-/Stable (Assigned)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	12.25	ACUITE B-/Stable (Assigned)
Term Loan-IV	Not Applicable	Not Applicable	Not Applicable	0.16	ACUITE B-/Stable (Assigned)
Term Loan-V	Not Applicable	Not Applicable	Not Applicable	0.33	ACUITE B-/Stable (Assigned)
Term Loan-VI	Not Applicable	Not Applicable	Not Applicable	0.55	ACUITE B-/Stable (Assigned)
Term Loan-VII	Not Applicable	Not Applicable	Not Applicable	0.69	ACUITE B-/Stable (Assigned)
Term Loan-VIII	Not Applicable	Not Applicable	Not Applicable	0.48	ACUITE B-/Stable (Assigned)
Corporate Loan	Not Applicable	Not Applicable	Not Applicable	4.76	ACUITE B-/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE A4 (Assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	0.23	ACUITE B-/Stable (Assigned)

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### About Acuité Ratings & Research:

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