

Press Release

Technico Strips and Tubes Private Limited

August 05, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 45.95 Cr.
Long Term Rating	ACUITE B- /Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B-**' (**read as ACUITE B minus**) and the 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 (TSTPL). 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, the company restarted its operation but as a manufacturer of steel tubes and pipes for the auto sector and industrial equipments.

Analytical Approach

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

Key Rating Drivers

Strengths

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

TSTPL was established as a 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, the company restarted its operation as a manufacturer of steel tubes and pipes for the auto sector and industrial equipments. 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, the 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 and decline in operating income**

TSTPL financial risk profile of the company remained weak, marked by low net worth and weak debt protection metrics. The net worth of the company stood at Rs.8.63 Crore as on 31 March 2020 (Provisional) as against Rs.9.03 Crore as on 31 March 2019. The gearing level (debt-equity) stood high at 5.42 times as on 31 March 2020 (Provisional) as against 4.17 times as on 31 March 2019. The total debt of Rs.46.80 Crore as on 31 March 2020 (Provisional) consists of long term debt of Rs.9.10 Crore, unsecured loan from directors and promoters amount to Rs.13.69 Crore and working capital borrowings of Rs.24.01 Crore. The interest coverage ratio (ICR) stood at 1.27 times in FY2020 (Provisional) as against 0.62 times in FY2019 due to low

EBITDA and high-interest cost during the year.

The operating income of the company have declined by 15 percent in the FY2020 (Provisional) over FY2019. Operating Income for FY2020 (Provisional) stood at Rs.73.25 Crore as against Rs.86.26 Crore for the FY2019. While in the FY2020 the company have only achieved revenue of Rs.8.00-8.50 Crore as of 20-07-2020. The main reason for the decline in the revenue is Covid-19 lockdown as the company wasn't able to operate during the lockdown.

- **Working capital intensive operations**

The working capital cycle of TSTPL stood intensive marked by Gross Current Assets (GCA) days of 256 for FY2020 (Provisional) as against 214 for FY2019. GCA days have increased due to a rise in debtors collection period from 110 days in FY2019 to 126 days in FY2020 (Provisional). The debtor's days have increased due to the high amount of debtors outstanding at the end of the financial year. The inventory days have also increased and stood at 103 in FY2020 (Provisional) as against 77 days in FY2019. Acuité believes moderate working capital intensive management will remain a key rating sensitivity factor.

Outlook: Stable

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 the working capital cycle.

Material Covenant

None

Rating sensitivity

- Any deterioration in working capital leading to higher reliance on external borrowings

Liquidity position: Stretched

Company has stretched liquidity marked by moderate net cash accruals to its maturing debt obligations. TSTPL generated cash accruals of Rs.2.37 Crore in FY2020 (Provisional) as against CPLTD of Rs.1.45 for the year. The cash accruals of the company are estimated to remain in the range of around Rs.1.40 Crore to Rs.3.46 Crore during FY2021-23 against as against ranges between Rs.0.90-1.40 Crore each year for the same period. The company's working capital operations are highly intensive, marked by Gross Current Asset (GCA) days of 256 days in FY2020 (Provisional). Company maintains unencumbered cash and bank balances of Rs.0.20 Crore as on 31 March 2020 (Provisional). The current ratio stands at 1.08 times as on 31 March 2020 (Provisional).

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	73.25	86.26
PAT	Rs. Cr.	(0.39)	(5.20)
PAT Margin	(%)	(0.53)	(6.03)
Total Debt/Tangible Net Worth	Times	5.42	4.17
PBDIT/Interest	Times	1.27	0.62

Any other information

Not Applicable

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/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
11-November-2019	Cash Credit	Long Term	5.50	ACUITE B-/Stable (Assigned)
	Working Capital Demand Loan	Long Term	12.25	ACUITE B-/Stable (Assigned)
	Term Loan-IV	Long Term	0.16	ACUITE B-/Stable (Assigned)
	Term Loan-V	Long Term	0.33	ACUITE B-/Stable (Assigned)
	Term Loan-VI	Long Term	0.55	ACUITE B-/Stable (Assigned)
	Term Loan-VII	Long Term	0.69	ACUITE B-/Stable (Assigned)
	Term Loan-VIII	Long Term	0.48	ACUITE B-/Stable (Assigned)
	Corporate Loan	Long Term	4.76	ACUITE B-/Stable (Assigned)
	Letter of Credit	Short Term	21.00	ACUITE A4 (Assigned)
	Proposed Bank Facility	Long Term	0.23	ACUITE B-/Stable (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE B-/Stable (Reaffirmed)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	12.25	ACUITE B-/Stable (Reaffirmed)
Term Loan-IV	Not Available	Not Applicable	Not Available	0.16	ACUITE B-/Stable (Reaffirmed)
Term Loan-V	Not Available	Not Applicable	Not Available	0.33	ACUITE B-/Stable (Reaffirmed)
Term Loan-VI	Not Available	Not Applicable	Not Available	0.55	ACUITE B-/Stable (Reaffirmed)
Term Loan-VII	Not Available	Not Applicable	Not Available	0.69	ACUITE B-/Stable (Reaffirmed)
Term Loan-VIII	Not Available	Not Applicable	Not Available	0.48	ACUITE B-/Stable (Reaffirmed)
Corporate Loan	Not Applicable	Not Applicable	Not Applicable	4.76	ACUITE B-/Stable (Reaffirmed)

Letter of Credit	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.23	ACUITE B-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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