



**Press Release**  
**TIEA CONNECTORS PRIVATE LIMITED**  
**October 04, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Issuer Rating (IR)	0.00	ACUITE B+   Stable   Assigned	-
Issuer Rating (IR)	0.00	-	ACUITE A4   Assigned
Total Outstanding Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has assigned its long term issuer rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term issuer rating of '**ACUITE A4**' (read as **ACUITE A four**) to TIEA Connectors Private Limited (TCPL). The outlook is '**Stable**'.

The rating reflects the synergies derived from the Indian Institute of Science, supported by the extensive experience of its advisors and their relationships with prospective customers in the targeted business segments, absence of any demand risk with competitive edge on the back of economic products and positive industry outlook buoyed by support from the government. However, these strengths are partly offset by the company's exposure to risks related to its scalability, ongoing project and expected leveraged capital structure.

**About the Company**

Bangalore Based, TIEA Connectors Private Limited was incorporated in 2020. The company engaged in the business of manufacturing and sales of wireless connectors, harsh environment connectors, electronic connectors and terminals and it is promoted by Mr. Punit Shridhar Joshi and Mr. Ajith Punnanikkattu Sasidharan. TIEA Connectors Private Limited is a B2B hardware start-up company, incubated start-up at Indian Institute of Science (Society for Innovation & Development-SID-IISc). Indian Scientific Innovation Company Limited (ISICL) owns equity in TIEA Connectors Private Limited and has facilitated the company for receiving various grant support from state government and central government. Currently the company is engaged in the research and development of aerospace and defence connectors. It has obtained four design patents and filed an application for a patent in the field of material science.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of TCPL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Experienced advisors in the board**

The board of advisors of the company have reputed personnel having varied experience in their related industry segments. The vast experience will help the company in streamlining its

operations, as well as developing its client base, leveraging on the existing relationships of the advisors.

## **Benefits expected from healthy business prospects for the domestic segment**

Indian connector market is expected to grow owing to increasing demand for consumer electronics, aerospace, defence applications, vehicle electrification, growing demand for light weight vehicles and safety features in the vehicles. Furthermore, as over 50 per cent of the connector market depends on imports, the company is primarily intended to penetrate the market to cater to the growing niche market of electric vehicles and drones, as well as automotive and consumer electronics through its economic product options. Though domestic connector market is still in a nascent stage, there is huge scope for growth given the low product penetration and import dependability. Considering strong demand and increasing penetration in the domestic market, the company is poised for strong double-digit growth over next two-three years.

## **Economic products to provide competitive edge**

US based TE Connectivity, Molex INC and Japanese JST are the main competitors of TIEA along with Chinese equivalents. TIEA's unique designs of connectors and contact solutions offer performance improvement in harsh environment conditions at economical prices as compared to the imported items. This will help the company to tide over its competitors over price, production quality and timely supply of finished goods.

### **Weaknesses**

#### **Scalability remains the key to drive operating leverage benefits**

The operations of the company are at low scale with revenue of only Rs. 3.47 Cr in FY23 (provisional), thus reeling under operational losses. The operation being in the nascent stage requires stabilization of many activities which includes the R&D, engineering, prototyping, tool manufacturing, consistent production, operational fine-tuning, automation and re-automation for cost optimization. Due to fixed cost intensive nature of the business, the initial years are expected to suffer operational losses owing to sub-optimal operating leverage and break-even expected only by FY2025. Acuité expects the technological tie-up with Indian Institute of Science (Society for Innovation & Development-SID-IISc), will augment the R&D and product prototyping process, thereby helping the company to cater to increasing demand of connectors in the domestic market going forward.

## **Weak standalone financial risk profile**

The financial risk profile will remain constrained over the medium term because of small networth, Rs 7.04 Cr as on March 31, 2023 (Provisional), and modest debt protection metrics. The company raised funds through preference shares which kept the capital structure conservative and the gearing remained below unity at 0.25 times as on 31<sup>st</sup> March 2023 (provisional). Debt protection metrics were subdued, as reflected in negative coverage metrics in FY23. However, steady accretion to reserve should ensure improvement in networth over the medium term. Gearing of the company will increase and is expected to remain at high levels in FY2024-25 as the company plans to avail long term facility from bank for its pending acquisition and installation of plant and machinery. The total cost of project is Rs.12.01 Cr which is to be funded partly through Rs.5.01 Cr term loan and remaining from funds raised through preference shares. The financial closure has been achieved as TIEA bagged Rs 3.81 Cr funding from the Technology Development Board (TDB) under the initiative "Commercialization of Indigenous Technologies through Tech Start-ups". In this project, up to August 2023, the company has incurred only Rs.0.60 Cr which has been funded by term loan of Rs. 0.32 Cr. and promoter's funding. In FY24, the company is expected to use the remaining sanctioned amount, and with this the gearing level is expected to increase. The scheduled time for completion of the project is November 2024. Acuité believes that going forward the financial risk profile of the company is expected to be below average due to leveraged capital structure over the medium term.

### **Rating Sensitivities**

- Expected penetration in the connector market,
- Timely implementation of the project
- Generation of expected cash accrual

### **All Covenants**

None

### **Liquidity Position: Adequate**

The company's adequate liquidity position is expected to support debt servicing in the near-to-medium term on account of increasing accruals and expected break even in FY25. Net cash accrual is expected to be adequate, post completion of the new project too with no off take risk. The promoters are expected to unsecured loans to support the business. The sanctioned fund based limits are expected to provide cushion to the working capital cycle. However, expected penetration in the connector market, timely implementation of the project and generation of expected cash accrual will be key rating sensitivity factors.

### **Outlook: Stable**

Acuité believes that the outlook of the company will remain 'Stable' over the medium term on account of expected penetration in the market reflected by increase in scale of operations coupled with support from IISc. Conversely, the outlook may be revised in case of further weakening of its financial risk profile, elongation of the working capital cycle and deterioration in profitability margins thereby impacting the liquidity and debt protection indicators of the company.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	3.47	2.13
PAT	Rs. Cr.	(0.82)	(0.52)
PAT Margin	(%)	(23.71)	(24.60)
Total Debt/Tangible Net Worth	Times	0.25	0.73
PBDIT/Interest	Times	(2.43)	(1.78)

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

Not Applicable

### 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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History :

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Issuer Rating	Not Applicable	Not Applicable	Not Applicable	Simple	0.00	ACUITE B+   Stable   Assigned
Not Applicable	Not Applicable	Issuer Rating	Not Applicable	Not Applicable	Not Applicable	Simple	0.00	ACUITE A4   Assigned

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### About Acuité Ratings & Research

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