



Press Release
TIEA CONNECTORS PRIVATE LIMITED
October 27, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.62	ACUITE B+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	4.62	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 4.62 Cr bank facilities of TIEA Connectors Private Limited (TCPL). The outlook is '**Stable**'.

The rating reflects the synergies derived from the Indian Institute of Science, 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.

Unsupported Rating

None

Analytical Approach

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

Key Rating Drivers

Strengths

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 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 reautomation 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 31st 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)

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>
- 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Oct 2023	Issuer Rating	Short Term	0.00	ACUITE A4 (Assigned)
	Issuer Rating	Long Term	0.00	ACUITE B+ Stable (Assigned)

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	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.38	ACUITE B+ Stable Assigned
Small Industries Development Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.00	ACUITE B+ Stable Assigned
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.82	ACUITE B+ Stable Assigned
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.24	ACUITE B+ Stable Assigned
Indian Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.18	ACUITE B+ Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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