

Press Release

Tamra Dhatu Udyog Private Limited

July 09, 2019

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Term Loan	33.84	IVR BBB + / Stable Outlook (IVR Triple B Plus with Stable Outlook)	Assigned
Long Term Bank Facilities – Cash Credit	151.00	IVR BBB + / Stable Outlook (IVR Triple B Plus with Stable Outlook)	Assigned
Short Term Bank Facilities – Letter of Credit	213.00	IVR A2 (IVR Single A Two)	Assigned
Short Term Bank Facilities – Bank Guarantee	50.00	IVR A2 (IVR Single A Two)	Assigned
Total	447.84		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities of Tamra Dhatu Udyog Private Limited (TDUPL) derives comfort from its experienced promoters with its long track record of operations, exclusive contract with Original Equipment Manufacturers (OEMs), introduction of B2C sales, diversified client base, strong quality control and Research & Development initiatives. The ratings also factor in its increased focus on manufactured products and diversification of product mix along with stable operating performance despite decrease in top-line in FY19 (provisional). The rating strengths are partially offset by volatility in commodity prices and exposure to foreign exchange fluctuations, working capital intensive nature of operations leading to moderate gearing along with moderate debt protection parameters. Steady growth in scale of operations with improvement in profitability, improvement in gearing ratios and efficient working capital management are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoter with long track record

The company was promoted by Mr. Damodar Das Singhee and his son, Mr. Ram Kumar Singhee. Initially it was set-up as a proprietary firm in 1997 and was later converted into a private limited company in 2006. Mr. Ram Kumar Singhee has over two decades of experience in trading in base metals such as copper and zinc. His father Mr. Damodar

Das Singhee, has over five decades of experience in dealing in metal products. The day to day affairs of the company are managed by both the promoters.

Exclusive contract with OEMs

TDUPL has entered into an exclusive contract with the original equipment manufacturer (OEM) of the machines used for manufacturing of multi wire super fine copper wires, which have applications in electronics and mobile battery chargers till the year 2023. Currently, there are no other manufacturers of these wires in India and the exclusive contract gives the company an edge to consolidate its position as the sole manufacturer in India of super fine copper wires.

Introduction of B2C sales

TDUPL began marketing household wiring under its own brand “Tamra” since December 2016. This marks TDUPL’s foray in to the B2C segment. The company has tied up with distributors across different locations and also utilising its own existing marketing network to generate sales.

Diversified Client Base

The company has been able to build strong relationship with its customers which have led to TDUPL becoming the preferred supplier and as a result, the customers have placed repeat orders. The company has a varied client base with the top 10 customers contributing 45% of the total sales revenue for FY19 (provisional).

Increased focus on manufactured products and diversification of product mix

The company is focussing more on manufacturing operations, as compared to traded goods and intends to continue the same going forward. The proportion of manufacturing sales in the total revenue has gone up from ~30% in FY15 to ~53% in FY19 with a CAGR of about ~8.8% during the aforesaid period followed by a y-o-y increase by ~10% in FY19 (provisional).

Quality control and Research & Development

TDUPL has its own testing and R&D lab to ensure quality control. The testing facility helps check in the quality of the raw materials as well as products being manufactured at its facility. The testing facility also doubles up as an R& D facility, helping the company

to come up with new products and formulate the methods and control parameters for the same.

Stable operating performance despite lower top-line in FY19 (Prov.)

The operating performance of the company remained stable over the past years. However, the total operating income dampened by ~10% in FY19, mainly due to decline in trading sales pertaining to the company's decision to gradually reduce its trading operations (Contribution of trading operations in the total operating revenue has gradually declined from ~70% in FY15 to ~47% in FY19). Decline in total operating income resulted in decline in the absolute EBIDTA during FY19 (Prov.) which in turn led to decline in the cash accruals during FY19 (Prov.). However, the company has earned a gross cash accrual of Rs.21.04 crore in FY19 (Prov.) (Rs.27.44 crore in FY18) which remained comfortable as against its repayment obligation of Rs.13.67 crore in FY19. The EBITDA margin of the company remained range bound over the years in the range of 6.2%-6.5% during the last three fiscals.

Key Rating Weaknesses:

Volatility in commodity prices and exposure to foreign exchange fluctuations

The company is exposed to fluctuations in the commodity prices (mainly copper). Any changes in the prices of the raw materials would have an immediate impact on the company's production costs. TUDPL manages this risk by using futures and forwards. It manages the risk of fluctuating prices in its trading business by placing back to back orders.

Moderate gearing along with moderate debt protection parameters

The capital structure of the company remained moderately leveraged as on the past three account closing dates. The long-term debt equity ratio of the company remained satisfactory at 0.37x as on March 31, 2019 (Prov.) [improved from 0.49x as on March 31, 2018]. However, though the overall gearing ratio improved from 1.95x as on March 31, 2018 to 1.48x as on March 31, 2019 (Prov.) mainly due to repayment of long-term loans coupled with lower outstanding of bank borrowings as on the account closing date and accretion of profit to reserves remained moderate. Further, treating the unsecured loans aggregating to Rs.5.50 crore from directors as neither debt nor equity the overall gearing ratio also stood moderate at 1.45x as on March 31, 2019. The debt protection

parameters like the Total Debt to Gross Cash Accruals (GCA) was high at 11.17x, while Long Term Debt to GCA and Long-Term Debt to EBITDA stood moderate at 2.77x and 1.19x respectively, for FY19.

Working capital intensive nature of operations

The operations of the company remained working capital intensive mainly due to its high average inventory period of about 45-60 days pertaining to its raw material holding requirements to ensure uninterrupted production and average debtors collection period of about 70-100 days. During FY19, the collection period of the company has increased due to increase in B2C sales and direct supply to projects where collection remained slow. The working capital requirements of the company were supported by credit period availed from its creditors based on its long and established presence in the industry along with working capital borrowings. The operating cycle of the company remained modest in the range of 52-80 days over the last three fiscals ending in FY19. Further, the average utilisation of its bank borrowings remained high over the past 12 months ended on April, 2019.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The liquidity of the company is expected to remain adequate marked by its higher cash accruals vis-à-vis its debt repayment obligations and no major capex plan in the near to medium term. However, the average utilisation of its bank borrowings remained high during the past 12 months ended on April, 2019 indicating a limited buffer.

About the Company

Incorporated in May 2006, Tamra Dhatu Udyog Private Ltd. (TDUPL) was promoted by Mr. Damodar Das Singhee and his son, Mr. Ram Kumar Singhee. TDUPL was initially set-up as a proprietorship firm in 1997. It began as a base metal trader operating in the domestic market and later set-up its own manufacturing facility in March 2012 situated in Bhiwadi, Rajasthan. Another, manufacturing facility of the company is located at

Infomerics Valuation And Rating Pvt. Ltd.



Howrah, West Bengal. The company began marketing of household wiring under its own brand “Tamra” since December, 2016.

Financials (Standalone):

For the year ended* / As On	(Rs. Crore)	
	31-03-2018	31-03-2019
	Audited	Provisional
Total Operating Income	1003.29	897.06
EBITDA	64.38	56.18
PAT	16.01	9.94
Total Debt	289.47	235.03
Tangible Net worth	148.49	158.42
EBITDA Margin (%)	6.42	6.26
PAT Margin (%)	1.60	1.11
Overall Gearing Ratio (x)	1.95	1.48

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Cash Credit	Long Term	151.00	IVR BBB+ / Stable Outlook	-	-	-
2.	Long Term Fund Based Limits – Term Loan	Long Term	33.84*	IVR BBB+ / Stable Outlook	-	-	-
3.	Short Term Non-Fund Based Limits – Letter of Credit	Short Term	213.00	IVR A2	-	-	-
4.	Short Term Non-Fund Based Limits – Bank Guarantee	Short Term	50.00	IVR A2			

*Outstanding as on March 31,2019

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit	-	-	-	151	IVR BBB + / Stable Outlook
Long Term Fund Based Limits – Term Loan	-	-	June,2024	33.84*	IVR BBB + / Stable Outlook
Short Term Non-Fund Based Limits – Letter of Credit	-	-	-	50	IVR A2 (IVR Single A Two)
Short Term Non-Fund Based Limits – Bank Guarantee	-	-	-	213	IVR A2 (IVR Single A Two)

O/S as on March 31, 2019.