March 31, 2022

Tinna Rubber & Infrastructure Limited: Ratings upgraded

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based – Term Loan	9.58	23.65	[ICRA]BB- (Stable); upgraded from [ICRA]D
Fund Based – Cash Credit	22.00	22.00	[ICRA]BB- (Stable); upgraded from [ICRA]D
Non-fund Based Limits	14.48	15.00	[ICRA]A4; upgraded from [ICRA]D
Unallocated Limits	15.94	1.35	[ICRA]BB- (Stable); upgraded from [ICRA]D
Total	**62.00**	**62.00**	

**Instrument details are provided in Annexure-1*

Rationale

The rating upgrade primarily factors in the regularisation of debt servicing by Tinna Rubber & Infrastructure Limited (TRIL). The earlier downgrade factored in the delays in debt servicing of the loan from Indiabulls Commercial Credit Limited (IBCCL) which was partially under a commercial dispute. After paying the December instalment on time, the Indiabulls loan was taken over by the State Bank of India at a lower interest rate, the repayments of which have been timely. Further, the company has reported a healthy growth in turnover, driven by favourable demand prospects for its products, as reflected in its healthy order book.

TRIL has shifted its product profile towards more value-added products, which has also helped it increase its customer base and reduce the concentration risk. With the growth in infrastructure sector and construction of expressways and highways, the demand prospects for TRIL's road segment remain healthy. TRIL has received approvals from leading tyre manufacturing companies for crumb rubber and reclaim rubber, which along with oil marketing companies such as Indian Oil Corporation Limited (IOCL), has translated into a reputed clientele. Healthy relations with these clients have ensured repeat business. Moreover, the operating margins improved in 9M FY2022 to ~16% vis-à-vis 13% in FY2021. ICRA believes that TRIL will be able to maintain its margin profile in the near to medium term and increase its sales volumes going forward. The ratings also consider the extensive experience of the promoters of TRIL and its established track record of more than two decades in rubber-derived products.

The ratings, however, continue to be constrained by the company's working capital-intensive nature of operations, which keeps the working capital limits almost fully utilised, exerting pressure on the liquidity profile. The company's capital structure is relatively leveraged with a gearing of 0.94 times as on March 31, 2021. Other metrics such as TD/OPBITDA and TOL/TNW were at 2.8 and 1.2 times, respectively, as on September 30, 2021. The debt, as on September 30, 2021, comprised Rs 28.3 crore of long-term borrowings, Rs 5.0 crore of unsecured loans and Rs 25.3 crore of working capital borrowings. The improvement in profitability helped the DSCR and interest coverage to improve to 2.3 times and 4.4 times, respectively, in YTD FY2022. The ratings also factor in the exposure of the company's profitability to the adverse volatility in raw material prices and foreign exchange rates as a sizeable proportion of TRIL's raw material requirements are mainly met through imports.

The Stable outlook on the [ICRA]BB- rating reflects ICRA's opinion that TRIL will continue to benefit from the favourable demand prospects for its products, translating into revenue and profit generation.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters – The promoters have been involved in the manufacturing of rubber-derived products for more than two decades and have gained a thorough knowledge of the market. Their long presence in the industry has helped the company understand the industry dynamics, while continuous focus on research and development has helped it establish strong relationships with key customers.

Diversification of product and consumer mix – The company has diversified its product profile to include reclaim rubber, high grade crumb rubber, cut wire shots, etc. It has also added some highly reputed tyre companies in its customer profile and has received approvals for raw material supply to them. This has aided it in increasing the sales volume and in turn, its revenues. TRIL recorded an OI of ~Rs. 130.07 crore in FY2021 and ~Rs. 173.13 crore in 9M FY2022.

Favourable demand prospects - With the traction in infrastructure sector and construction of expressways and highways, the demand prospects for TRIL remain healthy. Going forward, the healthy orders in hand, including an annual offtake agreement with IOCL, should lead to revenue growth for the company.

Credit challenges

Volatility in raw material prices affecting margins – TRIL's profitability remains exposed to the fluctuations in raw material prices and foreign currency rates as a sizeable proportion of the raw material requirements is met mainly through imports. However, the company has been trying to mitigate the risk by reducing its dependence on imports and procuring raw material domestically. Further, the company has some pricing power which allows it to pass on some of the raw material price variability to its customers.

Stretched working capital cycle exerting pressure on liquidity – The company has moderate-to-high working capital intensity, which impacts its liquidity as reflected in the almost full utilisation of its working capital limits. Hence, due to very low cushion in limits and limited cash balances, its overall liquidity profile also remains stretched. However, the working capital cycle has improved with NWC/OI of ~25% in FY2020 and ~22% FY2021 compared to ~39% in FY2018. TRIL had external term loans of ~Rs. 31.36 crores on its books as on March 31, 2021. The Indiabulls loan was taken over by SBI in December 21 at 4% less interest rate and has been repaid fully by SBI. Indiabulls has paid around Rs. 1.17 crore of the disputed interest back to the company. TRIL had paid the instalment of Indiabulls on December 10 on time and thereafter the SBI EMIs have been on time too. While a major repayment (Rs. 7.12 crore) is due in FY2022, the repayment burden is expected to reduce after FY2023.

Weak debt coverage indicators – The company's capital structure is moderately leveraged with a gearing of 0.94 times as on March 31, 2021. Other metrics such as TD/OPBITDA and TOL/TNW stood at 2.8 and 1.2 times, respectively, as on September 30, 2021. The debt, as on September 30, 2021, comprised Rs 28.3 crore of long-term borrowings, Rs 5.0 crore of unsecured loans and Rs 25.3 crore of working capital borrowings. The improvement in profitability has led to DSCR and interest coverage improving to 2.3 times and 4.4 times, respectively, in YTD FY2022.

Liquidity position: Stretched

TRIL's liquidity position is stretched on account of almost full utilisation of the working capital limits, which averaged ~92% and the maximum utilisation of 99% for the 12-month period ended February 2022. However, the liquidity position is supported by operational cash flows, while cash and bank balances as on March 31, 2021 was Rs. 1.83 crore.

Rating sensitivities

Positive factors - ICRA could upgrade TRIL's ratings if there is sustained growth in revenues coupled with improvement in profitability and return indicators and improved liquidity position, which could strengthen the company's overall financial risk profile.

Negative factors – A sustained decline in turnover and profitability and further stretch in the working capital cycle weakening the liquidity profile could lead to a rating downgrade. Further, interest coverage below 2 times on a sustained basis trigger a rating revision

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Tinna Overseas Ltd. (formed in 1987), now renamed Tinna Rubber & Infrastructure Limited (TRIL), is involved in the business of bituminous products and specialises in bitumen modifiers of various types such as crumb rubber, polymer-modified bitumen and bitumen emulsions. The company also has a crumb rubber manufacturing facility in five of its existing plants. It has manufacturing facilities at Panipat, Kaalamb, Haldia, Chennai and Wada. However, due to the slowdown in the infrastructure industry in the past few years, it has diversified its product mix to reduce the dependence on the sector. Its current product profile includes ultra-fine tyre crumb, high tensile reclaim rubber, carbon steel shots, steep scrap, CRMB and bitumen emulsion.

Key financial indicators (audited/provisional)

TRIL Standalone	FY2020	FY2021	9M FY2022*
Operating Income (Rs. crore)	123.0	130.1	173.1
PAT (Rs. crore)	(3.9)	1.1	12.1
OPBDIT/OI (%)	7.3%	13.4%	16.0%
PAT/OI (%)	-3.2%	0.9%	7.0%
Total Outside Liabilities/Tangible Net Worth (times)	1.4	1.4	-
Total Debt/OPBDIT (times)	8.0	3.8	-
Interest Coverage (times)	1.0	1.8	3.9

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

**Provisional financials for 9M FY2022*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)						Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2022 (Rs. crore)	Date & Rating on	Date & Rating on	Date & Rating on	Date & Rating in FY2021		Date & Rating in FY2020	Da1e & Rating in FY2019
					March 31, 2022	Dec 6, 2021	May 28, 2021	March 29, 2021	April 6, 2020	-	February 28, 2019
1	Fund based-Term Loan	Long Term	23.65	23.44	[ICRA]BB-(Stable)	[ICRA]D	[ICRA]BB-(Stable)	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	-	[ICRA]B+ (Stable)
2	Fund based- Cash Credit	Long Term	22.00	-	[ICRA]BB-(Stable)	[ICRA]D	[ICRA]BB-(Stable)	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	-	[ICRA]B+ (Stable)
3	Non-Fund based limits	Short Term	15.00	-	[ICRA]A4	[ICRA]D	[ICRA]A4	[ICRA]A4	[ICRA]A4	-	[ICRA]A4
4	Unallocated Limits	Long Term	1.35	-	[ICRA]BB-(Stable)	[ICRA]D	[ICRA]BB-(Stable)	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	-	[ICRA]B+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund Based – Term Loan	Simple
Fund Based – Cash Credit	Simple
Non-Fund Based Limits	Very Simple
Unallocated Limits	-

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
	Term Loan	FY2014	NA	FY2023	1.35	[ICRA]BB- (Stable)
	Term Loan	FY2021	9.65%	FY2032	22.30	[ICRA]BB- (Stable)
	Cash Credit	NA	NA	NA	22.00	[ICRA]BB- (Stable)
	Bank Guarantee	NA	NA	NA	15.00	[ICRA]A4
	Unallocated Limits	NA	NA	NA	1.35	[ICRA]BB- (Stable)

Source: *Company*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-2: List of entities considered for consolidated analysis: Not applicable

ANALYST CONTACTS

Sabyasachi Majumdar
+91-124-4545304
sabyasachi@icraindia.com

Prashant Vasisht
+91-124-4545322
prashant.vasisht@icraindia.com

Ankit Jain
+91-124-4545865
ankit.jain@icraindia.com

Himani Sanghvi
+91-79-40271547
Himani.sanghvi@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

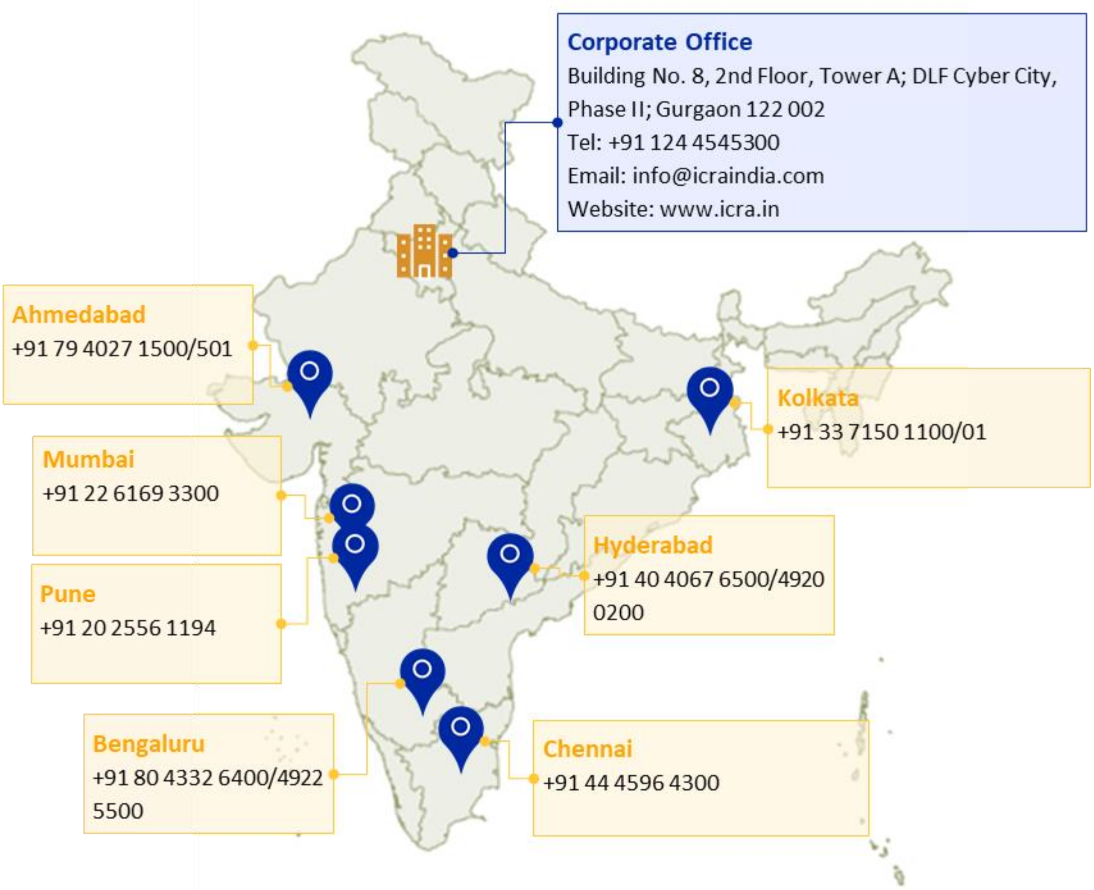
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



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