Rating Rationale

Tectonics

31 May 2019

Brickwork Ratings assigns the ratings BWR BB- for the Bank Loan Facilities of ₹. 9.23 Crores of Tectonics.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based	9.23	Long Term	**BWR BB - (Pronounced as Double B Minus)** Outlook: Stable
Total	9.23	**INR Nine crores and Twenty Three Lakhs Only**	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials statements of the Company upto FY18, provisional statements of FY19, publicly available information and information / clarifications provided by the company's management.

The rating draws strength from the, long operational track record and reputed clientele base of the company, increasing tangible net worth and increase in scale of operations, moderate current ratio and efficient working capital.

The ratings are however constrained by the modest scale of operation, inherent risk of sole proprietorship and future sustainability of its scale of operations.

Description of Key Rating Drivers

Credit Strengths:

Above average financial risk profile: As on March 31, 2018, networth was at Rs 6.5 crore, gearing adequate at 1.34 times, and total outside liabilities to networth (TOL/ TNW) ratio comfortable at 2.67 times. The interest coverage ratio is adequate average at 5.9 times in fiscal 2018 and current ratio is 1.23 times.

Proprietor's extensive industry experience: Mr. M.N. Badrinath, the proprietor of the firm, has an experience of around 40 years in the furniture industry through other firms. His industry insights, knowledge of the domestic market, and healthy relationships with suppliers and customers will support the business risk profile of the firm.

Liquidity - Company has working capital facilities of Rs 0.60 crs and its average utilisation of the fund-based limits ranges from 40-50% over the 12 months. Company has earned cash accruals of Rs. 2.20 Cr in FY18.
Credit Risks: **Proprietorship constitution:** The firm is vulnerable to capital withdrawal risk due to its proprietorship constitution.

Analytical Approach
For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable
BWR believes the **Tectonics** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company
Tectonics is a sole proprietorship concern established in 1995 and is engaged in the manufacturing of Door Shutters and Loose Furniture such as sofas, beds, tables and chairs on order for various star hotels across the country. Their list of clients include Radisson, Le Meridien, Conrad, Azure and housing companies such as Prestige Properties.

The registered office of the concern is located in BASAVANAGUDI, BANGALORE. The concern has the infrastructure to manufacture 7500 door shutters per month and loose furniture for 400 rooms. Currently, the concern is utilizing 83% of its Door Shutter Manufacturing Capacity and 50% of its capacity for loose furniture.

The concern is established by M.N. Badrinath, who has an experience of 40 years in the industry.

Company Financial Performance

- The operating revenue of the company has increased by 130% from Rs. 14 crores in FY17 to 33 crores in FY18 on account of higher revenues from orders of Door Shutters. Non Operating Income includes interest received, discount received etc. Long Term Borrowings of Rs. 8.05 is the term loan from SIDBI. Short Term Borrowings is the overdraft facility with Vijaya Bank. The company has high debt protection metrics shown by ISCR of 5.79 times and DSCR of 3.09 times. The gearing ratio of the company is adequate at 1.34 times. The Company has below average profitability with 1.16 % PAT Margin and 8.44 % Operating Margin. The PAT is FY18 has declined due to higher depreciation charged.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type			
Operating Revenue	₹ Cr	33.23	14.37
EBITDA	₹ Cr	2.80	0.78
PAT	₹ Cr	0.39	0.63
Tangible Net worth	₹ Cr	6.49	6.22
Total Debt/Tangible Net worth	Times	1.34	0.43
Current Ratio	Times	1.23	1.19

Rating History for the last three years

S.No	Instrument	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
	Fund Based	Long Term	9.23	**BWR BB - (Pronounced as Double B Minus)** Outlook: Stable	**Not Rated**		
	Total		**9.23**	**₹ Nine crores and Twenty Three Lakhs Only**			

Any other information: None

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**

Analytical Contacts	Investor Contacts
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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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