Tinna Rubber & Infrastructure Limited

October 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	91.28 (Enhanced from 59.35)	CARE BBB-; Stable	Upgraded from CARE BB+; Stable
Long Term / Short Term Bank Facilities	10.80 (Reduced from 19.15)	CARE BBB-; Stable / CARE A3	Upgraded from CARE BB+; Stable / CARE A4+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in the ratings assigned to the bank facilities of Tinna Rubber & Infrastructure Limited (TRIL) takes into consideration the growing scale of operations with healthy gross cash accruals over the past 3 fiscals ending FY24 (refers to the period from April 01 to March 31), improvement in profitability margins. The ratings also factor in the improvement in financial risk profile as marked by improvement in capital structure coupled with debt coverage indicators. The ratings also favourably factor in experienced management coupled with long track record of operations, association with reputed and diversified customer base and its PAN India presence of manufacturing facilities with diversified product portfolio, moderate debt coverage indicators and moderate operating cycle. The ratings, however, continue to remain constrained by risk associated with high exposure towards group entities through corporate guarantee, foreign exchange fluctuation risk along with government regulatory policies, susceptibility of its margins to raw material price volatility and its fortunes linked with industries such as infrastructure and tyre industry which are cyclical in nature.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Consistent improvement in scale of operations as marked by total operating income of above Rs.400.00 crore on sustained basis.
- Improvement in the capital structure as marked by adjusted overall gearing ratio of below 1.25x.
- Significant reduction in the group exposure including the corporate guarantee extended to related entities.

Negative factors

- Decline in scale of operations by more than 20% from envisaged level and decline in profitability margins as marked by PBILDT and PAT margin below 12.00% and 4.00% respectively on sustained basis.
- Elongation in the operating cycle of the group beyond 100 days.
- Any further large increment in the form of corporate guarantee exposure to its associate concerns leading to deterioration in adjusted overall gearing ratio of above 2.25x.
- Any significant debt funded capex in the foreign subsidiaries and Joint Ventures (JVs) impacting the cash flows/liquidity of the company.

Analytical approach: Consolidated

CARE Ratings Limited has taken a consolidated approach for analysing Tinna Rubber & Infrastructure Limited (TRIL) which has two wholly owned subsidiaries namely; M/s Tinna Rubber B.V., Netherlands (TBV) and M/s Global Recycle LLC, Oman (GRL). CARE Ratings Limited has changed its approach from standalone to consolidated since the TRIL has started operations in its subsidiaries having common promoters and strong operational and business linkages. The list of subsidiaries considered is mentioned under Annexure-6.

Outlook: Stable

The 'Stable' outlook reflects that the group will continue to benefit from the extensive experience of the promoters and management in the industry along with its established relationship with the reputed customers and expanding global footprints through various partnerships and Joint Ventures (JVs).

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of the key rating drivers:

Key strengths

Growing scale of operations with healthy gross cash accruals: The scale of operations of the group has been on a growing trend registering a compounded annual growth rate (CAGR) of ~23.63% over the past 3 fiscals ending FY24. The group's total operating income (TOI) has improved wherein it has reported total operating income (TOI) of Rs.363.09 crore in FY24 primarily on account of growth in volume sales owing to enhanced operational efficiency and healthy demand for the products with government impetus on spending infrastructure projects along with addition in customer base. The group has a healthy gross cash accruals (GCA) which stood at Rs.46.82 crore in FY24. Further, the group has achieved total operating income of Rs.136.14 crore during Q1FY25 (refers to the period from April 1, 2024 to June 30, 2024; based on unaudited results) and is projecting expected turnover of ~Rs.520.51 crore for FY25. The group's product demand is expected to grow favourably, driven by several factors. These include increased government spending on infrastructure, particularly road and highway construction, and a rise in customer orders from the tyre industry. Additionally, the introduction of new products to the group's existing portfolio and the expansion of its current capacities will contribute to this growth. As a result, the group's operations are expected to scale up in the near term.

Improvement in profitability margins: The profitability margins of the company largely depend upon the type of products sold to different sectors wherein the group reaps benefits of its established image in the regional market as it is one of the largest manufacturers of crumb rubber powder. The profitability margins of the group have improved as marked by PBILDT and PAT margin which stood at 17.46% and 11.10% respectively, in FY24. The improvement is on account of economies of scale achieved due to volume growth in scale of operations. Further, the group has also derived benefits due to sale of EPR credits which stood at Rs.6.60 crore in FY24. During Q1FY25, the profitability margins of the group has further improved as marked by PBILDT and PAT margin stood at 18.33% and 12.04% respectively. Going forward, the anticipated increase in capacities at existing plants, along with the introduction of new products in its existing product profile and the expected revenue from these additions, combined with the government's infrastructure push, is likely to boost product demand. The impact of these factors on the group's profitability margins is crucial and will be closely monitored.

Improvement in financial risk profile: The improvement in financial risk profile takes into consideration improvement in capital structure coupled with debt coverage indicators. The capital structure of the group has improved as marked by the adjusted overall gearing ratio which stood at 1.52x as on March 31, 2024 as against 2.18x as on March 31, 2023 primarily on account of release of corporate guarantee extended to one of its associate concern coupled with accretion of profits to net reserves. As on June 30, 2024, it stood at 1.40x.
Further, on account of improvement in profitability margins leading to high gross cash accruals, the debt coverage indicators of the group have also improved as marked by interest coverage ratio and total debt to GCA of 8.36x and 3.13x respectively, for FY24. During Q1FY25, it has further improved and the interest coverage ratio stood and total debt to GCA stood at 9.63x and 2.14x respectively and is expected to remain at similar levels over the medium term.

Moderate operating cycle: The operations of the group stood moderate as marked by operating cycle of 50 days for FY24 on account of efficient management of its inventory holding coupled with timely realization from its customers. Owing to large product portfolio, the group is required to maintain adequate inventory at each processing stage for smooth running of its production processes and to ensure prompt delivery to its customers resulting in an average inventory holding period of around 52 days for FY24. The group has to offer liberal credit period of around 1-2 months to its customers as majority of them are large sized players which possess high bargaining power as compared to other clients of group resulting in an average collection period of 31 days for FY24. The group receives payable period of around 1-2 month from its suppliers resulting in an average creditor's period of 33 days for FY24. The working capital limits remained almost 75% for the past 12 months period ending August, 2024.

Key weaknesses

High exposure towards group entities through corporate guarantee: The group has extended the corporate guarantee for the bank facilities of its associate concern namely; "Fratelli Vineyards Limited [Formerly known as Tinna Trade Limited] (FVL)". FVL is engaged in the trading of agro and non-agro commodities like Grains, Pulses, Proteins, Oil seeds, edible oil and steel abrasives and has moderate financial risk profile as marked by total operating income of Rs.245.35 crore, PAT of Rs.0.12 crore and overall gearing of 1.40x as on March 31, 2024. In FY24, the corporate guarantee given on behalf of its other associate concern namely; "M/s TP Buildtech Private Limited (TPB)" to the tune of Rs.26.00 crore has been released and thus, the corporate guarantee extended for the working capital facilities of its associate concern has reduced to the extent of Rs.60.65 crore in FY24 from Rs.86.42 crore in FY23. Further, there are investments in its related concern/affiliates to the tune of Rs.30.15 crore as on March 31, 2024.

The funded financial support provided by TRIL group to its group entity (FVL) shall be crucial for the group's credit profile and remains key monitorable.

Foreign exchange fluctuation risk along with government regulatory policies: The business operations of the group involve both imports and exports resulting in sales realization and cash outflow in foreign currency. The group exports its product in overseas market such as Thailand, Turkey, South Africa, Brazil, Australia, Sri Lanka, etc. and export contribution to total sales stood around 7% for FY24 (PY: 6%). The group's import of raw material stood around 53% of total purchases for FY24, thereby, exposing group to the fluctuation in exchange rates. Being an importer and exporter, the foreign currency risk is partially mitigated through a natural hedge, however, in the absence of any hedging policies adopted by the group, the group's operating margins and cash accruals remains vulnerable to the adverse fluctuation in exchange rates. Further, the group has recorded gain of Rs.0.07 crore in FY24 due to favourable foreign currency fluctuations. Moreover, there are restrictions and regulatory approvals required for the import of major raw material i.e., waste tyres/ end of life tyres (ELT). Further, the recent red sea crisis led to logistical challenges for the companies with significant increase in the freight costs which has adversely impacted the operating margins of the group. However, the same will be offset by the monetization of the EPR credits during the year.

Raw material price volatility risk: The raw materials used in the manufacturing of products constitutes more than 55% of the total cost of production for FY24 hence, any sharp volatility in raw material prices may negatively impact the group's profitability. The group products are manufactured from recycling of end of life tyres (ELT), mainly radial (TBR) tyres which are discarded after use in Medium and Heavy Commercial Vehicles (MHCV). These tyres have higher recyclable contents with better quality of rubber. This exposes the group to volatility in the prices of natural / synthetic rubber (NR / SR), as any decline in the price of NR/SR would translate into pressure on the prices of products manufactured by the group. Though, the group tries to pass on the price volatility to the end users; since, the price revision is undertaken on quarterly basis based on the input prices. However, there is a time lag of a quarter to pass on the incremental raw material price change, which exposes the group to sudden adverse fluctuations in raw material prices leading to pressure on the profitability of the group. Thus, the profitability of the group will largely depend on the ability of the group to absorb the increase in raw material prices.

Fortunes linked majorly to industries which are cyclical in nature: The fortunes of the group are closely linked with demand emanating from road construction and tyre manufacturing segment, which in turn is highly dependent upon the growth in the infrastructure and automotive industry. These segments have contributed more than 50% of its revenue in FY24 alone from these industries. The prospects of these industries are strongly corelated to economic cycles and in-turn exposed to cyclical demand patterns inherent to the industry. In times of downturn, these products may witness decline in demand, which may put pressure on the growth of the group. However, this risk is mitigated to some extent since, the group is catering to other industries as well and thus, diversifying the risk to other sectors as well.

Liquidity: Adequate

The liquidity position of the group remained adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The group has reported net cash accruals (NCA) to the extent of Rs.37.40 crore during FY24, Rs.18.56 crore during Q1FY25 and is expected to generate envisage NCA of Rs.61.61 crore for FY25 against repayment obligations of ~Rs.9.24 crore in same year. Further, the average utilization of its working capital limits stood around 75% for the past 12 month's period ending August, 2024. The company has free cash and bank balances which stood at Rs.0.65 crore as on June 30, 2024. The company has undertaken capex of ~Rs.38.00 crore at its existing Varle and Wada plant (Maharashtra) for the enhancement of its existing installed capacity, installation of the solar plant to save power cost and addition of new product line which is expected to be operational by Q3FY25. It will be funded through term loan of Rs.27.00 crore and rest through internal accruals.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Rubber

Delhi based, Tinna Rubber & Infrastructure Limited (TRIL) (erstwhile known as Tinna Overseas Limited) was incorporated as a public limited company (Listed) in March, 1987. The directors of the company are as namely; Mr. Bhupinder Kumar Sekhri, Mr. Gaurav Sekhri, Mr. Subodh Kumar Sharma, Mr. Sanjay Kumar Jain, Mr. Ashok Kumar Sood, Mr. Vaibhav Dange, Mrs. Bharti Chaturvedi and Dr. Krishna Prapoorna. The company is engaged in the processing and recycling of the end of life tyres (ELT)/ waste tyres to produce crumb rubber powder for the manufacturing of crumb rubber modifier (CRM), micronized rubber powder, Hi tensile ultrafine reclaim rubber, reclaimed rubber/ ultrafine crumb rubber compound, crumb rubber modified bitumen (CRMB), polymer modified bitumen (PMB), bitumen emulsion, cut wire shots, Hi carbon steel abrasives, Hi carbon steel scrap, polymer composites, Thermo Plastic Elastomer (TPE), etc. The company has its own six manufacturing facilities located at Panipat (Haryana), Gummindipoondi (Tamil Nadu), Haldia (West Bengal), Wada (Maharashtra) and Varle (Maharashtra) and one in overseas country Sultanate of Oman. The company has an installed capacity to process 1,00,000 MTs per annum of end of life tyres (ELT)/ waste tyres as on March 31, 2024.
The company is having two associate concerns namely; "Fratelli Vineyards Limited [Formerly known as Tinna Trade Limited]" (incorporated in 2009) engaged in the trading of agro and non-agro commodities like grains, pulses, proteins, oil seeds, edible oil and steel abrasives and "M/s TP Buildtech Private Limited (incorporated in 2012) engaged in the manufacturing of construction chemicals (admixtures) and two wholly owned subsidiaries namely; "M/s Tinna Rubber B.V., Netherlands" (established in September, 2021; project phase entity operations yet to start). It is set up with an aim to engaged in the business of waste recycling, end of life tyre recycling and trading of waste materials and "M/s Global Recycle LLC, Oman" (acquired in March, 2023 and production started in July, 2023). It was acquired with an aim to expand its end of life tyres (ELT)/ waste tyres recycling business in overseas country. In FY25, the company has also established third wholly owned subsidiary namely, "Tinna Rubber Arabia LLC, Saudi Arabia" (established in August, 2024; project phase entity) to set up a waste tyre recycling plant in Saudi Arabia at an installed capacity of 24,000 MTs per annum of tyre recycling which is expected to start its production by first half of 2026. In September, 2024, it has signed a Joint Venture Agreement with Lionshare Holdings (Pty) Ltd ("JV Partner") and Mbodla Investments (Pty) Ltd ("JVC"), Johannesburg, South Africa, to commence a recycling plant in South Africa and development and management of a tyre recycling venture in South Africa.

Brief Financials (₹ crore)	March 31, 2023 (A)*	March 31, 2024 (A)**	Q1FY25 (UA)***#
Total operating income	296.20	363.09	136.14
PBILDT	37.97	63.40	24.95
PAT	21.26	40.29	16.39
Overall gearing (times)	0.62	0.68	0.68
Interest coverage (times)	4.71	8.36	9.63

A: Audited; UA: Unaudited; Note: 'the above results are latest financial results available'
*Standalone numbers.
**Consolidated numbers; since, subsidiary has started its production from July, 2023.
#refers to the period from April 1, 2024 to June 30, 2024.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	December, 2029	41.09	CARE BBB-; Stable
Fund-based - LT-Working Capital Limits		-	-	-	45.00	CARE BBB-; Stable
Fund-based - LT-Working capital Term Loan		-	-	November, 2027	5.19	CARE BBB-; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	0.80	CARE BBB-; Stable / CARE A3
Non-fund-based - LT/ ST-BG/LC		-	-	-	10.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	41.09	CARE BBB-; Stable	-	1)CARE BB+; Stable (03-Jan-24) 2)CARE BB+; Stable (16-Aug-23)	1)CARE BB; Stable (19-Oct-22)	-
2	Fund-based - LT-Working capital Term Loan	LT	5.19	CARE BBB-; Stable	-	1)CARE BB+; Stable (03-Jan-24) 2)CARE BB+; Stable (16-Aug-23)	1)CARE BB; Stable (19-Oct-22)	-
3	Fund-based - LT-Working Capital Limits	LT	45.00	CARE BBB-; Stable	-	1)CARE BB+; Stable (03-Jan-24)	1)CARE BB; Stable (19-Oct-22)	-

						2)CARE BB+; Stable (16-Aug-23)		
4	Non-fund-based - LT/ ST-BG/LC	LT/ST	10.00	CARE BBB-; Stable / CARE A3	-	1)CARE BB+; Stable / CARE A4+ (03-Jan-24) 2)CARE BB+; Stable / CARE A4+ (16-Aug-23)	1)CARE BB; Stable / CARE A4 (19-Oct-22)	-
5	Fund-based/Non-fund-based-LT/ST	LT/ST	0.80	CARE BBB-; Stable / CARE A3	-	1)CARE BB+; Stable / CARE A4+ (03-Jan-24) 2)CARE BB+; Stable / CARE A4+ (16-Aug-23)	1)CARE BB; Stable / CARE A4 (19-Oct-22)	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of the covenants of the rated instrument/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Fund-based - LT-Working capital Term Loan	Simple
4	Fund-based/Non-fund-based-LT/ST	Simple
5	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Tinna Rubber B.V.	Full	100% Holding
2	Global Recycle LLC	Full	99% Holding

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
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