

Tamilnadu Petroproducts Limited

September 11, 2019

Rating

| S.No | Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|------|---|--------------------|---------------------|--|
| 1. | Long-term Bank Facilities | - | - | CARE BBB+; Stable (Triple B Plus; Outlook: Stable) Reaffirmed and Withdrawn |
| 2. | Long/ Short-term Bank Facilities | - | - | CARE BBB+; Stable/ CARE A3+ (Triple B Plus; Outlook: Stable/ A Three Plus) Reaffirmed and Withdrawn |
| 3. | Long-term Bank Facilities-Cash Credit (IndusInd bank) | - | - | Withdrawn |
| | Total Facilities | - | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE had rated the bank facilities availed by Tamilnadu Petroproducts Limited (TPL) from five bankers viz. State Bank of India(SBI), Federal Bank, Union Bank of India, IDBI Bank and IndusInd Bank Limited(IndusInd). CARE has noted that the cash credit facility from IndusInd Bank Ltd (Facility (3) above) has been surrendered by TPL and there is no outstanding under the said facilities as on date. In lieu of the same, CARE has withdrawn the rating assigned to the said facility with immediate effect.

Further, CARE has reaffirmed the 'CARE BBB+; Stable/ CARE A3+' assigned to the bank facilities ((1) to (2) above) of TPL and withdrawn the same with immediate effect. The above action has been taken at the request of TPL and 'No Objection Certificate' received from the banks that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

Key Rating Strengths

Established track record of operations

TPL has been in operations for more than three decades and is one of the leading manufacturers of Linear Alkyl Benzene (LAB) in the domestic market which consists of very few players. TPL produces LAB, Caustic Soda, and Chlorine. LAB is the major contributor to major portion of TPL's net sales with 86% share in FY18 and 83.32% in FY19.

Benefits derived from in-house production of key raw materials

One of the major raw materials for the manufacture of LAB is N-Paraffin (NP). TPL has in-house production facility to manufacture NP which provides cost competitiveness against imported NP.

Low gearing level

Overall gearing remained low at 0.10x as on March 31, 2019 as against 0.13x as on March 31, 2018. As on March 31, 2019 the company does not have any long term debt outstanding, working capital borrowings constitute the total debt.

Key Rating Weaknesses

Exposure to associate/subsidiary companies by way of investments

The total investments in subsidiary and associate company by TPL stood at Rs.96 crore as on March 31, 2019 which translates to 24% (PY: 29%) of net worth as on March 31, 2019. Adjusting for the exposure in subsidiaries from the net worth, overall gearing stands at 0.14 x as on March 31, 2019.

Highly competitive industry and threat from imports

With improved consumption pattern of detergents and availability of no major substitute for the product, the demand for LAB continue to trend upwards. At the same time, continuation of imports into the country may be a constraint for the domestic LAB manufacturers and cut into their profitability. TPL, being a major player in LAB market would retain its customer base due to established relations. However implementation of antidumping duty on LAB exporting countries will aid the domestic manufacturers. Since the production of Caustic Soda is power intensive, availability of power at competitive rates will be critical for the profitability of Caustic Soda.

Liquidity: Adequate – The liquidity position of TPL is adequate with no term debt. Company's gearing stood at 0.10x as on March 31 2019. Company has a cash and bank balances of Rs. 75.30 crore (including fixed deposits). Current and Quick ratio of the company stood at 1.59x and 1.08x respectively as on March 31, 2019.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Rating Methodology-Manufacturing Companies](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios \(Non-Financial Sector\)](#)

[CARE's methodology for Short-term Instruments](#)

About the Company

Tamilnadu Petroproducts Limited (TPL) belongs to the SPIC group of companies headquartered at Chennai. TPL was set up as a joint venture between SPIC Ltd and Tamilnadu Industrial Development Corporation (TIDCO). TPL has two divisions, namely, LAB and Heavy Chemicals Division (HCD). The LAB division is engaged in the manufacture of Linear Alkyl Benzene (LAB), a key input for manufacture of detergents. HCD manufactures caustic soda and chlorine. Caustic soda finds application in industries like pulp & paper, textiles, detergents, soaps, etc.

As on March 31, 2018, the company has an installed capacity of 120,000 MTPA (Metric Tonnes Per Annum) of LAB, 56,100 MTPA of caustic soda, and 40,000 MTPA of chlorine (by-product of caustic soda).

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income | 1,056 | 1,252 |
| PBILDT | 110 | 99 |
| PAT | 47 | 54 |
| Overall gearing (times) | 0.13 | 0.10 |
| Interest coverage (times) | 18.56 | 14.45 |

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|-------------------------------|------------------|-------------|---------------|-------------------------------|---|
| Non-fund-based - LT/ ST-BG/LC | - | - | - | 0.00 | Withdrawn based on No Objection Certificate |
| Fund-based - LT-Cash Credit | - | - | - | 0.00 | Withdrawn based on No Objection Certificate |
| Fund-based - LT-Cash Credit | - | - | - | 0.00 | Withdrawn based on No Due Certificate |

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|--|-----------------|--------------------------------|---|---|--|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1. | Non-fund-based - LT/ ST-BG/LC | LT/ST | - | Withdrawn based on No Objection Certificate | - | 1)CARE BBB+; Stable / CARE A3+ (24-Aug-18) | 1)CARE BBB; Stable / CARE A3 (22-Aug-17) | 1)CARE BBB-; Stable / CARE A3 (22-Dec-16) |
| 2. | Fund-based - LT-Cash Credit | LT | - | Withdrawn based on No Objection Certificate | - | 1)CARE BBB+; Stable (24-Aug-18) | 1)CARE BBB; Stable (22-Aug-17) | 1)CARE BBB-; Stable (22-Dec-16) |
| 3 | Fund-based - LT-Cash Credit | LT | - | Withdrawn based on No Due Certificate | - | 1)CARE BBB+; Stable (24-Aug-18) | 1)CARE BBB; Stable (22-Aug-17) | 1)CARE BBB-; Stable (22-Dec-16) |

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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