Crisil Ratings

Rating Rationale

March 04, 2025 | Mumbai

Technocraft Industries India Limited

Ratings reaffirmed at 'Crisil AA-/Stable/Crisil A1+'

Rating Action

Total Bank Loan Facilities Rated	**Rs.976 Crore**
Long Term Rating	**Crisil AA-/Stable (Reaffirmed)**
Short Term Rating	**Crisil A1+ (Reaffirmed)**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil AA-/Stable/Crisil A1+' ratings on the bank loan facilities of Technocraft Industries India Ltd (TIIL).

The ratings reflect the healthy business risk profile of TIIL, supported by diversification across the drum closure, scaffolding and textile segments, strengthened product portfolio through increasing contribution of value-added products in the scaffolding and formworks segment, and healthy growth across business segments, leading to better operating efficiency. With 69% of its total revenue derived from the global market, the company has maintained its operating performance driven by strong market position and technical expertise in the drum closure and scaffolding segments. Growth remains comfortable as economic operations revive globally. Furthermore, the financial risk profile remains healthy on the back of healthy cash accrual, negligible cash commitments (in the medium term) and prudent cash flow management.

Revenue grew ~10% on-year to Rs 2,182 crore in fiscal 2024 led by a 16% growth in its scaffolding segment (~47% of revenue). For the nine months ending December 31, 2024, the company's revenue grew 19% to Rs 1893 crore supported by growth across its drum closure segment (which reported a 16% YoY growth) and scaffolding segment (26% growth YoY) led by an overall demand revival. TIIL's recently concluded capacity expansion in the scaffolding segment is expected to drive continued growth over the medium term, driven by increased volume. The operating margin, meanwhile, stood at 19% in fiscal 2024 and dipped to 16% for the nine months ending December 31, 2024, on the back of increased raw material costs. The margin in the short-term should be impacted by the recently-imposed tariff by the US (25% on steel) impacting its scaffolding segment – with half of the segment sales to the US. As per discussion with the management, TIIL is expected to pass on the increase in tariffs to the customers resulting in margins stabilizing around 16-17%, over the medium term, with the introduction of new, lower value products to cater to the domestic scaffolding and formwork market. That said, imposition of tariffs and its impact on one or more segments (for TIIL) will be key monitorable.

The financial risk profile remains comfortable supported by healthy capital structure as reflected in networth of Rs 1,656 crore and net debt of Rs 126 crore as on March 31, 2024. TIIL undertook capital expenditure (capex) of Rs 525 crore across its scaffolding and textile divisions in fiscal 2024 and year to date fiscal 2025 funded partly (40%) by debt (remaining through internal accrual). Despite the additional debt, gearing is expected to remain below 0.5 time and cash accrual is expected to be above Rs 300 crore over the medium term, strengthening the financial risk profile. Any further significant debt-funded capex increased working capital intensity or cash outflow through buyback/dividend will be key rating sensitivity factors.

The ratings continue to reflect the established market position of TIIL in the drum closure industry and its increasing market share in the scaffolding industry. The ratings also factor in the improved operating performance and healthy financial risk position of the company. These strengths are partially offset by weak operating performance of the yarn and fabric division and the company's susceptibility to volatility in raw material prices and fluctuation in foreign exchange (forex) rates.

Analytical Approach

Crisil Ratings has combined the business and financial risk profiles of TIIL, its domestic and foreign subsidiaries, step-down subsidiaries, limited liability partnership and joint ventures because of strong financial and operational linkages among the entities.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position in the international drum closure industry and increasing market share in the scaffolding industry:** TIIL is a leading manufacturer of drum closures with a worldwide market share of around 36%, excluding China, and caters to major drum manufacturers. It is reputed globally for its quality and wide range of products and supplies to leading drum and drum part manufacturers in the world, including B-POL, Drum Parts Inc, Mauser Group worldwide, Schutz Group worldwide and August Berger Metallwarent GmbH. The major end-user industries are oil and gas, packaging, chemicals, and food and beverages.

The scaffolding segment comprises scaffolding and formwork business with 50% of revenue accrued from the overseas market. The company has started manufacturing sophisticated engineered formwork systems for building, construction and infrastructure projects. It supplies to diversified industries including oil and gas, power, refineries, petrochemical, infrastructure and commercial construction.

- **Healthy operating performance:** Revenue grew 10% to Rs 2,182 crore in fiscal 2024, driven by a 16% growth in its scaffolding segment (~47% of revenue). This was followed by a 19% year-on-year growth in revenue in the first nine months of fiscal 2025 led by an overall demand revival for its drum closure segment (which reported 16% year-on-year growth) and scaffolding segment (26% growth year-on-year). Over the medium term, enhanced capacities in the aluminum formwork segment are expected to support the growth in the scaffolding segment. The performance of the textile division remains weak amid subdued demand, mainly in the overseas market. After reporting a 6% drop in revenue in fiscal 2024, the segment saw an 8% rise in the first nine months of fiscal 2025. While cost optimisation measures will help improve performance gradually, its value contribution to overall operations will remain negligible. Healthy operating efficiency is reflected in the operating margin of 19% in fiscal 2024, which declined to 16% in the first nine months of fiscal 2025 on the back of increased raw material costs. TIIL is expected to pass on the increase in tariffs imposed by the US to the customers resulting in margin stabilizing at 17-18% over the medium term with the introduction of new, low value products to cater to the domestic scaffolding and formwork market. That said, imposition of tariffs and its impact on one or more segments (for TIIL) will be monitorable.

- **Strong financial risk profile:** The financial risk profile is supported by healthy networth and strong debt protection metrics. The networth rose to Rs 1,656 crore as on March 31, 2024, from Rs 1,434 crore a year earlier, driven by steady accretion to reserve. Debt protection metrics remained stable with net cash accrual to total debt and interest coverage at 0.41 time and 11 times, respectively, in fiscal 2024. The ongoing Rs 525 crore capex plan to expand capacities across its scaffolding and textile segments may lead to additional long-term debt of Rs 212 crore by 2025. Still, the debt protection metrics will remain comfortable with gearing below 0.5 time and interest coverage around 7 times. However, more-than-expected debt addition for capex, acquisitions or working capital management, weakening the debt protection metrics, will remain monitorable.

Weaknesses:

- **Weak operating performance of the yarn and fabric division:** The yarn and fabric industry in India is highly competitive and dependent on exports to neighboring countries such as China and Bangladesh. Given its portfolio of products with limited value addition, TIIL is susceptible to volatility in demand and spreads affecting profitability. Following the completion of upgrade and capacity expansion, the performance of the textile division is monitorable.

- **Susceptibility to volatility in raw material prices and fluctuation in forex rates:** Key raw materials, steel and cotton, account for over 70% consumption. Consequently, profitability is susceptible to fluctuation in steel, and cotton and yarn prices. While the drum closure business is more resilient owing to value-addition, and strong cost and technology competitiveness, the scaffoldings and yarn businesses, which use steel and cotton, respectively, as key raw materials are likely to be impacted more by the volatility in the commodity prices.

Liquidity: Strong

TIIL enjoys healthy liquidity led by a cash accrual of Rs 332 crore in fiscal 2024 and cash and equivalent (including investments) Rs 619 crore as on September 30, 2024. Fund-based utilisation was moderate at 42% on average for the 12 months through December 2024. Annual cash accrual, cash and cash equivalent, and unutilised bank limits should suffice yearly debt obligation and incremental working capital requirement in the near term.

Outlook: Stable

TIIL will benefit from sustained revenue growth and operating efficiency in the drum closure and scaffolding divisions. The financial risk profile is expected to remain strong, driven by steady revenue growth, healthy debt protection metrics and cash accrual over the medium term.

Rating sensitivity factors

Upward factors:

- Sustained strengthening of the business risk profile with double-digit revenue growth and maintenance of operating margin at 23-25%
- Further strengthening of the financial risk profile

Downward factors:

- Weakening operating performance owing to slowdown in sales volume or sustained decline in operating margin below 15%
- Larger-than-expected, debt-funded capex, stretched working capital cycle or significant outflow on account of buyback/dividend, weakening the financial risk profile

About the Company

TIIL was set up as a partnership firm in 1972 and was reconstituted as a private limited company in 1991. It has three major manufacturing divisions: drum closures, scaffoldings, garments and cotton yarn. TIIL is the leading drum closure manufacturer in the international market with a sizeable market share and annual capacity of 55 million sets of drum closures in India and 20 million sets in China. It has capacity of 50,000 tonne of scaffoldings and around 62,000 spindles in its yarn division in India. The company has several marketing subsidiaries in the US and Europe.

Key Financial Indicators

Particulars	Unit	2024	2023
Operating income	Rs crore	2182	1985
Profit after tax (PAT)	Rs crore	279	278

PAT margin	**%**	**12.8**	**14.0**
Adjusted debt/adjusted networth	**Times**	**0.41**	**0.46**
Interest coverage	**Times**	**10.92**	**15.77**

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs.Crore)	Complexity Level	Rating assigned with outlook
NA	Foreign Exchange Forward	NA	NA	NA	10	NA	Crisil A1+
NA	Fund-Based Facilities	NA	NA	NA	20	NA	Crisil AA-/Stable
NA	Fund-Based Facilities	NA	NA	NA	73	NA	Crisil AA-/Stable
NA	Fund-Based Facilities[&]	NA	NA	NA	80	NA	Crisil AA-/Stable
NA	Fund-Based Facilities[^]	NA	NA	NA	100	NA	Crisil AA-/Stable
NA	Fund-Based Facilities[%]	NA	NA	NA	230	NA	Crisil AA-/Stable
NA	Fund-Based Facilities[$]	NA	NA	NA	116	NA	Crisil AA-/Stable
NA	Fund-Based Facilities[#]	NA	NA	NA	100	NA	Crisil AA-/Stable
NA	Fund-Based Facilities[@]	NA	NA	NA	125	NA	Crisil AA-/Stable
NA	Non-Fund Based Limit	NA	NA	NA	42	NA	Crisil A1+
NA	Non-Fund Based Limit	NA	NA	NA	36.33	NA	Crisil A1+
NA	Proposed Working Capital Facility	NA	NA	NA	43.67	NA	Crisil AA-/Stable

& - Fungible with Fund base and Non-Fund base upto Rs. 80 Cr
^ - Fund base upto Rs. 50 Cr. and Non-Fund base upto Rs. 50 Cr.
% - Fungible with Fund base and non-fund base upto Rs. 200 Cr, Overdraft Rs. 30 Cr.
$ - Fungible with Fund base and Non-Fund base upto Rs.116 Cr.
 # - Fungible with Fund base and Non-Fund base upto Rs 100 Cr
@ - Fungible with Fund base and Non-Fund base upto Rs 125 Cr

Annexure – List of Entities Consolidated

Entity consolidated	Extent of consolidation	Rationale
Technosoft Engineering Projects Ltd	Full	Operational and financial linkages
Techno Defence Pvt Ltd	Full	
Technocraft Fashions Ltd	Full	
Shivale Infra Products Pvt Ltd	Full	
Technocraft Textiles Ltd	Full	
Technocraft Formwork Pvt Ltd	Full	
Technocraft Speciality Yarns Ltd	Full	
Technocraft Trading Spolka Z.O.O	Full	
Technocraft International Ltd	Full	
Technocraft NZ Ltd	Full	
Anhui Reliable Steel Technology Co Ltd	Full	
Highmark International Trading FZE	Full	
AAIT/Technocraft Scaffold Distribution LLC	Full	
Technosoft Engineering Increase	Full	
Technosoft GMBH	Full	
Technosoft Services Increase	Full	
Technosoft Enigneering UK Ltd	Full	
Technosoft Innovations Inc	Full	
Technocraft Tabla Formworks Systems (P) Ltd	Full	
Benten Technologies LLP	Equity Method	Associate

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating

Fund Based Facilities	ST/LT	897.67	Crisil AA-/Stable / Crisil A1+		--		--	08-12-23	Crisil AA-/Stable	13-09-22	Crisil A+/Positive	Crisil A+/Stable / Crisil A1+
Non-Fund Based Facilities	ST	78.33	Crisil A1+		--		--	08-12-23	Crisil A1+	13-09-22	Crisil A1+	Crisil A1+

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Foreign Exchange Forward	**10**	**IDFC FIRST Bank Limited**	**Crisil A1+**
Fund-Based Facilities[&]	**80**	**The Hongkong and Shanghai Banking Corporation Limited**	**Crisil AA-/Stable**
Fund-Based Facilities	**20**	**IDBI Bank Limited**	**Crisil AA-/Stable**
Fund-Based Facilities	**73**	**Citibank N. A.**	**Crisil AA-/Stable**
Fund-Based Facilities[^]	**100**	**Kotak Mahindra Bank Limited**	**Crisil AA-/Stable**
Fund-Based Facilities[%]	**230**	**HDFC Bank Limited**	**Crisil AA-/Stable**
Fund-Based Facilities[$]	**116**	**DBS Bank Limited**	**Crisil AA-/Stable**
Fund-Based Facilities[#]	**100**	**ICICI Bank Limited**	**Crisil AA-/Stable**
Fund-Based Facilities[@]	**125**	**IDFC FIRST Bank Limited**	**Crisil AA-/Stable**
Non-Fund Based Limit	**42**	**IDBI Bank Limited**	**Crisil A1+**
Non-Fund Based Limit	**36.33**	**Citibank N. A.**	**Crisil A1+**
Proposed Working Capital Facility	**43.67**	**Not Applicable**	**Crisil AA-/Stable**

& - Fungible with Fund base and Non-Fund base upto Rs. 80 Cr
^ - Fund base upto Rs. 50 Cr. and Non-Fund base upto Rs. 50 Cr.
% - Fungible with Fund base and non-fund base upto Rs. 200 Cr., Overdraft Rs. 30 Cr.
$ - Fungible with Fund base and Non-Fund base upto Rs.116 Cr.
 # - Fungible with Fund base and Non-Fund base upto Rs100 Cr
@ - Fungible with Fund base and Non-Fund base upto Rs125 Cr

Criteria Details

Links to related criteria
[Basics of Ratings (including default recognition, assessing information adequacy)]()
[Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)]()
[Criteria for consolidation]()

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