



# TEMBO GLOBAL INDUSTRIES LIMITED

[ FORMERLY KNOWN AS - SAKETH EXIM LTD. ]

Regd. Off.: Plot No. PAP - D 146 - 147, Turbhe MIDC, TTC Industrial Area, Opp. Balmer Lawrie Van Leer Co. Turbhe, Navi Mumbai - 400 705, Maharashtra - INDIA. Tel.: +91 - 022 - 27620641 / 27620642 / 27620643. Fax: +91 - 022-27620623. GST No.- 27AAPCS4498C1ZV  
CIN - L29253MH2010PLC204331 Email: info@sakethexim.com / info@tembousa.us Web: www.sakethexim.com / www.tembousa.us

To,  
National Stock Exchange of India Ltd.  
Exchange Plaza, C-1, Block G,  
Bandra Kurla Complex,  
Bandra (E)  
Mumbai – 400 051

Date: -10/05/2023

Dear Sir / Madam,

**Sub: Intimation under regulation 30 of SEBI (Listing obligation and Disclosure Requirement), 2015.**

**Ref: Intimation dated 22<sup>nd</sup> September, 2022 and 26<sup>th</sup> September, 2022**

1. The company hereby received the credit rating from CARE Ratings Ltd.

Facilities/Instruments	Amount (₹ crore)	Ratings <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.21	CARE BBB-; Stable	Assigned
Long Term / Short Term Bank Facilities	4.29	CARE BBB-; Stable / CARE A3	Assigned
Short Term Bank Facilities	25.50	CARE A3	Assigned

Kindly take note of the above.

Thanking you,

Yours faithfully,  
For Tembo Global Industries Limited

SANJAY JASHBHAI PATEL  
Digitally signed  
by SANJAY  
JASHBHAI PATEL  
Date: 2023.05.10  
15:32:54 +05'30'

Mr. Sanjay Jashbai Patel  
Managing Director  
Place: Mumbai

**Annexure-2**  
**Draft Press Release**  
**Tembo Global Industries Limited**  
 May 08, 2023

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Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Tembo Global Industries Limited (TGIL) derive strength from experienced promoters in manufacturing of pipe hangers & pipe support systems and yarn trading business, established track record of operations with all the necessary approvals and certifications of quality standards for its product range, established relationship with clientele, growing scale of operation, comfortable capital structure and moderate debt coverage indicators and adequate liquidity position. The above strengths are however offset by modest scale of operation, moderate profit margins, working capital intensive nature of operations, susceptibility of profitability due to volatility in raw material prices and foreign exchange fluctuation risk.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in PBILDT margin above 10% on a sustained basis
- Increase in total operating income more than Rs. 400 crore on sustained basis

#### Negative factors

- Deterioration in overall gearing above 1.25x on a sustained basis
- Elongation in collection period above 100 days on a sustained basis

### Analytical approach: Standalone

#### Outlook: Stable

The rating outlook "Stable" indicates stable business and financial risk profile of the company. The company is expected to sustain its moderate scale of operations and operating profitability along with efficient management of working capital cycle.

### Key strengths

#### Experienced promoters in manufacturing of pipe hangers & pipe support systems

The overall operations of TGIL are looked after by the promoters – Mr. Sanjay Patel along with Mr. Shabbir Kachwala (husband of Mrs. Fatema Kachwala, whole time director in TGIL), who possess a total experience of over two decades of in the field of manufacturing of various engineering & electrical products. Prior to the incorporation of TGIL, Mr. Sanjay Patel was involved in their own business viz. Tembo Exim Private Limited, engaged in trading of various types of pipes. On the other hand, Mr. Shabbir Kachwala possesses the requisite experience in the manufacturing of pipe hangers & pipe support systems. Hence, the extensive experience of the promoters enables them to establish strong marketing connects and production process excellence for TGIL. Further the promoters are supported by qualified and experienced team in the field of operation, accounts, finance and sales.

#### Established track record of operations with various approvals & certifications of quality standards

TGIL possesses an established track record of over 10 years of operations in manufacturing of various pipe hangers & pipe support systems (the company forayed into the manufacturing segment from 2012) and over 13 years of operations in trading of yarn. The company manufactures various types of pipe hangers & pipe support systems include clevis hanger, band hanger, sprinkler hanger, pipe hanger with & without lining, heavy duty pipe hanger, easy fix pipe hanger with lining, pipe hanger with & without lining - light duty with stud, two bolt pipe clamps with & without lining, double pipe hanger with lining, surge restrainer, light & heavy saddle, offset hanger, U strap, U bolt, loop hanger, riser clamp, and many others. The pipe hangers manufactured by the company are accredited by two renowned international certification bodies. The aforementioned products manufactured by the

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

company are sold under its brand name viz. Tembo. Over the years of its operations, the company has established long-term relationships with its various customers, suppliers and other stakeholders.

#### **Established relationship with clientele**

The products dealt by TGIL find a wide range of applications in varied industries viz. defence, oil & gas, plumbing & water works, construction & real estate, fire-fighting, drainage, electrical products, various industrial applications, etc. Moreover, the company has established long-term relationships with its various customers in the domestic as well as overseas market. Company's revenue is diversified in manufacturing (45% of revenue) and trading segment (55% of revenue). In trading segment, company sells yarn to various exporters located in India. Furthermore, the over the years of operations they have developed established relations with customers in manufacturing segment and the same is moderately concentrated with the top 5 customers comprising 40% of the net sales in FY23 (vis-à-vis 47% in FY22), which are all export customers. During FY23, the company has started receiving enquires from Indian customers as well.

#### **Comfortable capital structure and moderate debt coverage indicators**

Capital structure of the company marked by overall gearing remained leveraged in the past due to high debt level however it improved and remained comfortable at 0.98x as on December 31, 2022 vis-à-vis 1.64x as on March 31, 2022 on account of increase in net worth base as company has done rights issue of 10.50 lakh equity shares with face value of Rs. 10/- of Rs.1.05 crore with security premium of Rs. 9.45 crore total amounting to Rs. 10.50 crore in 9MFY23. The proceeds were majorly used to pay its term debt obligation which resulted in reduction in total debt thereby improvement in comfortable capital. However total debt continued to remain high with major portion comprised by working capital bank borrowing and term loan as on December 31, 2022.

Further, debt coverage indicators remained moderate with total gross cash accruals remained at 7.04x in FY22 vis-à-vis 7.53x in FY21 due to high debt level. Further, interest coverage ratio remained moderate and declined marginally to 2.16x in FY22 vis-à-vis 3.07x in FY21 due to increase in interest cost with increase in utilization of working capital bank borrowing.

#### **Key weaknesses**

##### **Modest scale of operations albeit continuous growth over last 5 years and moderate profit margins**

The scale of operations of TGIL stood modest however grew at compounded annual growth rate (CAGR) of 29.05% in FY18-FY22. Total operating income grew to Rs.173.26 crore in FY22 (vis-à-vis Rs.103.82 crore in FY21) on account of increase in sales from trading segment and volume of units sold with growing demand for the products in manufacturing segment. Owing to the same, it further grew to Rs.162.71 crore in 9MFY23 from Rs.118.58 crore in 9MFY22. Nevertheless, the scale of operations continues to remain modest, thereby limiting the financial flexibility of the company to that extent.

PBILDT margin of the company remained moderate and in the range of 5% to 8.21% in FY18-FY22, given the mix of industrial products manufacturing and yarn trading nature of operations. It declined to 5% in FY22 vis-à-vis 8.05% in FY21 on account of increased contribution of yarn trading in total sales (from 42% in FY21 vis-à-vis 55% in FY22) and increase in prices of raw material i.e. steel with limited ability to pass on to customers. Further PBILDT margin remained at 6.40% in 9MFY23 vis-à-vis 4.25% in 9MFY22. Further in line with decline in PBILDT margin coupled with increase in interest and depreciation cost, PAT margin also declined to 1.99% in FY22 from 2.83% in FY21. Further PAT margin remained at 2.76% in 9MFY23 vis-à-vis 0.21% in 9MFY22.

##### **Working capital intensive nature of operation**

The operation of TGIL remained working capital intensive mainly on account of funds being blocked in receivables (avg. collection period is 62 days in FY22 vis-à-vis 91 days in FY21) as company offers average credit period of around two-three months in manufacturing as well as trading segment. Further company has to maintain inventory to execute the orders in timely manner therefore average inventory period remained at 51 days in FY22 vis-à-vis 62 days in FY21. Further company receives credit period of around two months which led to average creditors' period of 40 days in FY22 vis-à-vis 58 days in FY21. All taken collectively, operations of the company remain highly working capital intensive and operating cycle stood moderate at 73 days in FY22. Therefore, working capital requirement is funded by internal accruals and working capital bank borrowings.

##### **Susceptibility of profitability due to volatility in raw material prices and foreign exchange fluctuation risk**

The raw material i.e. steel is the major cost driver and the prices of the same are volatile in nature therefore cost base remains exposed to any adverse price fluctuations. Further The company does not have any long-term contracts with its suppliers and procurements are done at prevailing market prices thereby exposing to volatility in raw material prices. Company also deals in trading of yarn and prices of which also remain volatile and with limited ability to pass on the increase in material costs immediately in a competitive operating spectrum, any substantial increase in material costs would affect the company's profitability. Further volatility in profit margins are also exposed to fluctuation in forex rates as company exports majority of its products (around ~91% of manufactured pipes fitting products in FY22) in Gulf, USA, European countries and company hedges around 80% of export sales.

### Liquidity: Adequate

The liquidity position remained adequate characterized by sufficient cushion in gross accruals vis-à-vis repayment obligations. Further company has prepaid the term debt by raising funds through right issue in 9MFY23. Debt Service Coverage Ratio (DSCR) also remained at comfortable level during the projected years. The free cash & bank balance stood moderate at Rs.0.11 crore as on March 31, 2022 and Rs. 0.80 crore as on December 31, 2022 (vis-à-vis Rs. 0.03 crore as on March 31, 2021). Average utilization of working capital limits of Rs.30 crore stood at around 94.51% for the last 12 months ended February 2023. Further, the current ratio remained at 1.66x as on March 31, 2022 vis-à-vis 1.01x as on March 31, 2021.

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Wholesale Trading](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Iron & Steel Products

Incorporated in 2010 by Mr. Sanjay Patel along with his family members, Tembo Global Industries Limited (TGIL) (Formerly known as Saketh Exim Limited) was earlier engaged in trading of various engineering products. Later, since 2012, company started manufacturing of various pipe hangers & pipe support systems. Products are accredited by international quality certification bodies, whereas the same find a wide range of applications in varied industries. Moreover, the company is also engaged in trading of yarn, which are sold to various exporters in India.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (Prov.)
Total operating income	103.82	173.26	162.71
PBILDT	8.36	8.66	10.42
PAT	2.94	3.45	4.49
Overall gearing (times)	1.57	1.64	0.98
Interest coverage (times)	3.07	2.16	4.15

A: Audited, Prov.: Provisional, Note: 'the above results are latest financial results available'

#### 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	4.50	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	January 2031	5.71	CARE BBB-; Stable
Fund-based - ST-EPC/PSC		-	-	-	25.50	CARE A3
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	4.29	CARE BBB-; Stable / CARE A3

**Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	4.50	CARE BBB-; Stable				
2	Fund-based - ST-EPC/PSC	ST	25.50	CARE A3				
3	Fund-based - LT-Term Loan	LT	5.71	CARE BBB-; Stable				
4	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST*	4.29	CARE BBB-; Stable / CARE A3				

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable****Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-EPC/PSC	Simple

4	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
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**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**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.

### Contact us

<p><b>Media Contact</b></p> <p>Name: Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p><b>Relationship Contact</b></p> <p>Name: Saikat Roy Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-67543404 E-mail: saikat.roy@careedge.in</p>	<p><b>Analytical Contacts</b></p> <p>Name: Divyesh Shah Director <b>CARE Ratings Limited</b> Phone: +91-20-4000 9069 E-mail: Divyesh.Shah@careedge.in</p> <p>Name: Ruchi Shroff Assistant Director <b>CARE Ratings Limited</b> Phone: +91-22-6837 4337 E-mail: Ruchi.Shroff@careedge.in</p> <p>Name: Aditya Bhujbal Analyst <b>CARE Ratings Limited</b> E-mail: aditya.bhujbal@careedge.in</p>
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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

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