

March 08, 2013

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	5.00	SMERA BB/Stable/Assigned
Letter of Credit/Buyers' Credit Sub Limit: Bank Guarantee	3.50 (0.10)	SMERA A4+/Assigned

SMERA has assigned a rating of 'SMERA BB' (read as SMERA Double B) to Rs. 5.00 crore long term facility and 'SMERA A4+' (read as SMERA A four plus) to Rs. 3.50 crore short term facility of Rukmini Polytubes Private Limited (RPPL). The outlook is 'Stable'. The ratings derives support from RPPL's long and established standing in the uPVC (Unplasticized Polyvinyl Chloride) pipes segment and moderate financial profile marked by moderate gearing and coverage indicators. The ratings are however constrained by the small scale of operations, low profit margins and low capacity utilization. The ratings also factors in the intense competition in a highly fragmented PVC pipes industry and susceptibility of RPPL's margins to volatility in raw material prices and foreign exchange fluctuations.

RPPL is a small player in a highly competitive PVC pipes industry resulting in low operating margins. RPPL's products are primarily sold to the agricultural industry under the brand names "Rukmini®" and "Kejriwal®" and around 70% revenues are generated from Haryana, thereby exposing the company to sector and geographic concentration risk. Demand for PVC pipes comes from the agricultural sector, which is largely dependent on government subsidy. RPPL's revenue has grown at a low CAGR of 2.63% from FY 2008 to FY 2012 and the capacity utilization has also been low at 37% for FY 2012. The revenues of RPPL have shown a nominal growth of 5% in FY 2012 after registering a decline of 16% in FY 2011; revenue decline in FY 2011 was on account of closure of its factory for 2 months due to floods. The revenues of RPPL also comprises of income from trading of PVC resin and chemicals required for plastic processing. Trading contributed around 47% to its total revenues in FY 2012. RPPL sells its manufactured products through a distribution network and under its trading business the goods are directly sold to the manufacturers.

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RPPL operates on low net profit margin. However the same has marginally improved between FY 2008 to FY 2012 from 0.25% to 0.58% on account of change in revenue composition. The Return on Capital Employed is low at 8.12% for FY 2012. Further, around 48% of its raw material requirement is imported and RPPL doesn't hedge or enter into any forward contract. The company is thus exposed to foreign exchange fluctuation risk which can impact its margins further.

RPPL benefits from the moderate financial profile with its total debt/equity ratio standing at 1.42 as on 31/Mar/2012 & it consists of short term working capital facilities and interest bearing unsecured loans at 12% pa. The interest coverage ratio of RPPL is moderate at 1.76 for FY 2012 and liquidity position is comfortable with low utilisation of its working capital facilities.

Outlook: Stable

SMERA believes that RPPL will continue to maintain its financial risk profile at a moderate level on the back of its established presence in the uPVC pipes segment and no significant debt funded expansion plan on the horizon. However, the company's ability to scale up its operations, improve its profitability and maintain comfortable liquidity position remains the key rating sensitivities.

About Rukmini Polytubes Private Limited

RPPL, which was incorporated in 1999, is engaged in manufacturing of uPVC Pipes with a capacity of 6,000 MTPA and trading of PVC Resin and Chemicals. Its products are branded under the name Rukmini® and Kejriwal® and are ISI marked. RPPL has its registered and administrative office at Delhi and its manufacturing facility at Bahadurgarh, Haryana.

RPPL is a closely held company and its management team comprising of Mr. Gopi Krishna Kejriwal, Mr. Ajay Kejriwal and Mr. Sanjay Kejriwal have rich experience in this field.

For FY 2012, RPPL reported a net profit of Rs. 0.14 crore on a total income of Rs. 23.33 crore, as against a net profit of Rs. 0.09 crore on a total income of Rs. 22.14 crore for FY 2011. RPPL has booked revenue of Rs. 27.64 crore for the period April, 2012 to January, 2013.

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