March 04, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	**5.00**	**SMERA BB/Stable (Reaffirmed)**
Letter of Credit/Buyer's Credit	**3.50***	**SMERA A4+ (Reaffirmed)**

** Includes bank guarantee sublimit to the extent of Rs.0.10 crore*

SMERA has reaffirmed ratings of **'SMERA BB' (read as SMERA double B) and 'SMERA A4+' (read as SMERA A four plus)** to the Rs.8.50 crore bank facilities of Rukmini Polytubes Private Limited (RPPL). The outlook is **'Stable'**. The ratings continue to remain constrained by the company's small scale of operations, low net profit margin and low capacity utilisation amidst intense competition prevalent in the pipes industry. The ratings are also constrained by the susceptibility of the company's profit margins to volatility in raw material prices and fluctuations in foreign exchange rates. However, the ratings continue to draw comfort from the company's long track record of operations and moderate financial risk profile.

Update

For FY2012–13 (refers to financial year, April 01 to March 31), RPPL registered net profit of Rs.0.08 crore on operating income of Rs.30.44 crore, as compared with net profit of Rs.0.14 crore on operating income of Rs.23.33 crore for FY2011–12. Further, the company reported operating income of Rs.21.72 crore (provisional) during April 2013 to December 2013. RPPL's revenue share from manufacturing activities is on a downtrend since the past three years. The company's revenue share from trading activity increased from 47.29 per cent in FY2011–12 to ~57 per cent in FY2012–13.

RPPL imports around 41 per cent of its total material requirement. The company's net profit margin is thus susceptible to adverse fluctuations in foreign exchange rates. RPPL suffered foreign exchange loss of Rs.0.26 crore in FY2012–13 (Rs.0.02 crore in FY2011–12) due to un-hedged imports. The company's net profit margin is low at 0.25 per cent in FY2012–13.

RPPL's capacity utilisation level reduced from 37.00 per cent in FY2011–12 to 32.11 per cent in FY2012–13 due to lower offtake of uPVC pipes. Demand for uPVC pipes comes from the agricultural sector, which is largely dependent on government subsidy.

RPPL has maintained a moderate financial risk profile reflected in gearing of 1.82 times as on March 31, 2013 and interest coverage ratio of 1.73 times in FY2012–13. The company has a comfortable liquidity position evidenced by low average utilisation (51.07 per cent) of working capital limit during July 2013 to December 2013.

Outlook: Stable

SMERA believes that RPPL will continue to benefit over the medium term from its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company achieves substantial improvement in its scale of operations while maintaining operating profit margin and coverage indicators at comfortable levels. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve scalability amidst intensifying competition in its area of operation, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the company

RPPL, incorporated in 1999, is a Delhi-based company promoted by Mr. Gopi Krishna Kejriwal, Mr. Ajay Kejriwal and Mr. Sanjay Kejriwal. RPPL is engaged in manufacturing of uPVC pipes, which are sold under the brand names of Rukmini® and Kejriwal®. The company is also involved in trading of chemicals and PVC resin. RPPL has a manufacturing facility in Bahadurgarh, Haryana, with installed capacity of 6,000 metrics tonnes per annum (MTPA).

RPPL's net worth stood at Rs.3.35 crore as on March 31, 2013, as compared with Rs.3.28 crore a year earlier.

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