Rukmini Polytubes Private Limited (RPPL)

March 03, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00#	SMERA BB/Stable (Reaffirmed)
Foreign Letter of Credit /Letter of Credit/Buyer's Credit	3.50*	SMERA A4+ (Reaffirmed)
Standby Line of Credit	0.75	SMERA A4+ (Assigned)

**Includes Bank Guarantee as a sublimit to the extent of Rs.0.10 crore*

#One-way interchangeability permitted up to Rs.2.50 crore from Cash Credit to Letter of Credit /Foreign Letter of Credit/Buyer's Credit

SMERA has reaffirmed the ratings of **'SMERA BB' (read as SMERA double B)** and **'SMERA A4+' (read as SMERA A four plus)** on the Rs.8.50 crore bank facilities of Rukmini Polytubes Private Limited (RPPL). SMERA has also assigned a rating of **'SMERA A4+'** to the Rs.0.75 crore bank facility of RPPL. The outlook on the long-term rating is **'Stable'**. The ratings continue to draw comfort from the company's long track record of operations. The ratings also factor in the improvement in the profit margins and financial risk profile of the company. However, the ratings remain constrained by the company's small-scale operations, uneven revenue trend and low capacity utilisation. 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. The ratings note that the company operates in an intensely competitive segment of the pipes industry.

Update

For FY2013–14 (refers to financial year, April 01 to March 31), RPPL reported net profit of Rs.0.14 crore on operating income of Rs.26.58 crore, as compared with net profit of Rs.0.08 crore on operating income of Rs.30.44 crore in FY2012–13. The company registered operating income of Rs.28.34 crore (provisional) during April 2014 to January 2015. RPPL's revenue share from manufacturing activities increased from 43.23 per cent in FY2012–13 to 51.71 per cent in FY2013–14. Consequently, the company's operating margin improved from 3.02 per cent in FY2012–13 to 3.98 per cent in FY2013–14. RPPL's gearing declined to 1.46 times as on March 31, 2014 from 1.82 times as on March 31, 2013. The company's interest coverage ratio increased from 1.73 times in FY2012–13 to 1.84 times in FY2013–14. RPPL's comfortable liquidity position is reflected in low average utilisation (74.86 per cent) of working capital limit during July 2013 to December 2013. The company's net worth stood at Rs.3.49 crore as on March 31, 2014, as compared with Rs.3.35 crore a year earlier.

RPPL's profit margins are susceptible to adverse fluctuations in foreign exchange rates, given that imports account for ~40 per cent of the company's total material purchases. RPPL suffered foreign exchange loss of Rs.0.44 crore in FY2013–14 (Rs.0.26 crore in FY2012–13).

RPPL's capacity utilisation is low at 48.13 per cent in FY2013–14. The company mainly caters to the agricultural sector, which is heavily dependent on government subsidies.

Outlook: Stable

SMERA believes RPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers substantial growth in scale of operations while maintaining comfortable operating profit margin and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the company's revenues amidst intensifying competition in its area of operations, 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 engaged 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).

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