

Press Release

17 May, 2017

Rukmini Polytubes Private Limited

Rating Reaffirmed

Total Bank Facilities Rated *	Rs. 11.75 Cr
Long Term Rating	SMERA BB/ Outlook: Stable
Short Term Rating	SMERA A4+

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (read as SMERA double B) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 11.75 cr bank of Rukmini Polytubes Private Limited. The outlook is '**Stable**'.

RPPL, incorporated in 1999, is a Delhi-based company promoted by Mr. Gopi Krishna Kejriwal, Mr. Ajay Kejriwal and Mr. Sanjay Kejriwal. The company is engaged in the manufacture of uPVC pipes, sold under the Rukmini and Kejriwal brand names. The company also trades in chemicals and PVC resin and has a manufacturing facility at Bahadurgarh (Haryana), with installed capacity of 5,500 tonnes per annum.

Key Rating Drivers

Strengths

- **Experienced management**

RPPL was promoted by Mr. Gopi Krishna Kejriwal, Mr. Ajay Kejriwal and Mr. Sanjay Kejriwal who possess experience of over a decade in the industry.

- **Healthy revenue growth**

RPPL reported operating income of Rs. 30.80 cr for FY2015-16 as against Rs.29.57 cr in the previous year registering a growth of around 4.16 percent. The growth is on account of increase in orders from customers and volume growth in FY2016 as compared to FY2015. SMERA expects the growth in operating income to continue supported by its ability to leverage its distribution network across north India.

- **Fluctuations in revenue mix**

Revenue from trading activities decreased further in FY2016 from 40 percent to 35 percent. The EBITDA margins remained almost stable at 3.97 per cent in FY2016. Further, the revenue break up from April 2016 to March 2017 is expected to remain the same (65:35).

- **Moderate financial risk profile**

The gearing levels of RPPL are 1.77 times as on March 31, 2016 as compared to 1.58 times as on March 31, 2015. The Interest coverage remained stable at 1.77 times in FY2016 as against 1.84 times in FY2015. The gearing has marginally increased in FY2016 due to a term loan of Rs. 0.50 cr taken for purchase of extruder machine and enhancement in working capital facility. The repayment of the same commenced from June 2016 at Rs. 0.03 cr per quarter. The financial risk profile continues to remain stable even after this debt funded capex.

- **Liquidity position continues to remain moderate**

The working capital cycle of the company has been moderate at 62 days for FY2016. The payables for the company increased marginally to ~17 days in FY2016 as compared to 2 days in the previous year. Further, the gross current asset days stood at 50 for FY2016 as against 38 days in the previous year. However, the liquidity position of the company has been comfortable and the average cash credit limit utilisation stood at ~75 percent for the last six months ended March, 2017.

Weaknesses

- **Susceptibility to forex fluctuation risk**

The profit margins are susceptible to fluctuations in forex rates considering that around 50 per cent of the total material purchased (for trading and manufacturing), was imported in FY2016. The company does not have a hedging mechanism in place. The cost of raw material (PVC resin) is driven by global petroleum prices which are volatile in nature. The raw material cost increased from 90.61 per cent in FY2015 to 90.80 per cent in FY2016.

- **Modest scale of operations**

The scale of operations is modest marked by operating income of Rs.30.80 cr in FY2016 as against Rs.29.57 cr in FY2015 and Rs.26.58 cr in FY2014.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Rukmini Polytubes Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that RPPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers substantial increase in scale of operations while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability in revenues. Any deterioration in the financial risk profile on account of stretched working capital cycle or large debt-funded capital expenditure may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

The company reported Profit after Tax (PAT) of Rs. 0.10 cr on operating income of Rs. 30.80 cr in FY2015-16 as compared with PAT of Rs. 0.10 cr. on operating income of Rs. 29.57 cr in the previous year. The net worth stood at Rs. 3.66 cr as on March 31, 2016 as against Rs. 3.57 cr in the previous year.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Mar-2016	Cash Credit	Long Term	INR 6.25	SMERA BB / Stable
	Term Loan	Long Term	INR 0.5	SMERA BB / Stable
	Foreign Letter of Credit/Letter of Credit/Buyers Credit	Short Term	INR 5	SMERA A4+
03-Mar-2015	Cash Credit	Long Term	INR 5	SMERA BB / Stable
	Foreign Letter of Credit/Letter of Credit/Buyers Credit	Short Term	INR 3.5	SMERA A4+
	Standby Line of Credit	Short Term	INR 0.75	SMERA A4+
04-Mar-2014	Cash Credit	Long Term	INR 5	SMERA BB / Stable
	Letter of Credit/Buyer's Credit	Short Term	INR 3.5	SMERA A4+
08-Mar-2013	Cash Credit	Long Term	INR 5	SMERA BB
	Letter of Credit / Buyers Credit	Short Term	INR 3.5	SMERA A4+

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.25	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+

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ABOUT SMERA

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