

Stuti Pipes Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	8.00	SMERA B+/Stable (Assigned)
Term Loan	2.72	SMERA B+/Stable (Assigned)
Proposed Cash Credit	1.00	SMERA B+/Stable (Assigned)
Proposed Bank Guarantee	0.50	SMERA A4 (Assigned)
Proposed Letter of Credit	3.00	SMERA A4 (Assigned)

SMERA has assigned rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) to the Rs.15.22 crore bank facilities of Stuti Pipes Private Limited (SPPL). The outlook is '**Stable**'.

The ratings continue to draw comfort from the company's experienced management and improving operating income. However, the rating is constrained by the limited track record of operations, moderate financial risk profile, declining operating margins and susceptibility of margins to raw material price fluctuations.

SPPL is headed by Mr. Suresh Kumar Sharma (CMD), Mr. Sushil Kumar Sharma and Mr. Somesh Sharma who possess over two decades of experience in the uPVC pipe segment of the plastic industry. The operating income grew at a compounded annual growth rate (CAGR) of 90 per cent for the period FY2012-13 to FY2015-16 on account of increase in order book value. As per FY2015-16 (Provisionals), the operating income stands at Rs.36.14 crore as against Rs.33.82 crore in FY2014-15.

The financial risk profile is average marked by moderate net worth of Rs.7.86 crore as on March 31, 2016 (Provisionals). The gearing is moderate and stands at 1.07 times as on 31 March, 2016 (Provisionals) as compared to 1.23 times in the previous year. However, the company has stretched liquidity profile as cash accruals are tightly matched with repayment obligations. DSCR stands at 0.95 times as on 31 March 2016 (Provisionals) as compared to 0.99 times as on 31 March 2015. ICR stands at 1.74 times as on 31 March 2016 (Provisionals) as compared to 1.73 times as on 31 March 2015.

SPPL's profit margins are susceptible to raw material price fluctuations as material cost (PVC resin) driven by global petroleum prices are volatile in nature. The operating margins have shown a decline on account of increase in raw material cost. As per the provisional financials of FY2015-16, the EBITDA margins stood at 6.22 per cent for the year as compared to 6.77 per cent in FY2014-15 and 11.35 per cent in FY2013-14. The PAT margin stood at 0.17 per cent in FY2015-16 (Provisionals) as compared to (0.18) per cent in FY2014-15.

Rating Sensitivity Factors

- Volatility in raw material prices impacting profitability
- Sustainable and substantial growth in revenues with improvement in profitability
- Improvement in the financial risk profile

Outlook-Stable

SMERA believes that SSPL will maintain a stable outlook in the medium term and continue to benefit from its established presence in the uPVC pipes segment and experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Criteria to arrive at the ratings

- Manufacturing Entities

About the Company

SPPL was established in 2011 under the directorship of Mr. Suresh Kumar Sharma (CMD), Mr. Sushil Kumar Sharma and Mr. Somesh Sharma. It is engaged in the manufacture of unplasticised Polyvinyl Chloride (uPVC) pipes at Naroda, Gujarat and has an installed capacity of around 12,000 mtpa. The pipes are used for irrigation, drainage and sewage, water distribution among others.

However, SPPL caters majorly to the irrigation/agriculture industry particularly to government bodies such as Gujarat Water Supply and Sewerage Board and various panchayat samitis. The company's customers are largely in Gujarat, Maharashtra and Rajasthan.

In FY2014-15, the company reported net loss of Rs.0.06 crore on operating income of Rs.33.82 crore against net profit of Rs.0.08 crore on operating income of Rs.19.50 crore. As per FY2015-16 (Provisionals), the company reported net profit of Rs.0.06 crore on operating income of Rs.36.14 crore.

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ABOUT SMERA

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