

Press Release

STUTI PIPES PRIVATE LIMITED

08 November, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 15.22 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 15.22 crore bank facilities of STUTI PIPES PRIVATE LIMITED. The outlook is '**Stable**'.

Stuti Pipes Private Limited (SPPL) was incorporated in 2011 by Mr. Suresh Kumar Sharma (CMD), Mr. Sushil Kumar Sharma and Mr. Somesh Sharma (Director). The company is engaged in the manufacture of unplasticised Polyvinyl Chloride (uPVC) pipes at Baroda, Gujarat and has an installed capacity of around 12,000 mtpa. The pipes are used for irrigation, drainage and sewage, water distribution among others.

Key Rating Drivers**Strengths**

- **Experienced management**

The promoters, Mr. Suresh Kumar Sharma (CMD), Mr. Sushil Kumar Sharma and Mr. Somesh Sharma, possess more two decades of experience in the said line of business.

- **Average financial riskprofile**

The financial risk profile of SPPL is average marked by net worth of Rs.7.94 crore as on 31 March, 2017 (Provisional) which includes unsecured loans to the tune of Rs. 4.64 crore considered as quasi equity. The net worth stood at Rs.7.63 crore as on 31 March, 2016. The gearing stood at 1.42 times as on 31 March, 2017 (Provisional) as against 1.11 times as on 31 March, 2016. The total debt of Rs.11.28 crore outstanding as on 31 March, 2017 comprises Rs. 0.57 crore of long term debt and Rs. 10.71 crore as working capital borrowings. The interest coverage ratio stood at 1.78 times in FY2017 (Provisional) as against 1.69 times in FY2016. The net cash accruals stood at Rs. 1.04 crore in FY2017 (Provisional) compared to Rs. 0.90 crore in FY2016. The NCA/TD stood at 0.09 times in FY2017 as against 0.11 times in FY2016.

Weaknesses

- **Uneven revenue trend**

The revenue trend has been uneven from FY2015 to FY2017. The revenue stood at Rs. 29.21 crore in FY2017 as against SMERA's projection of Rs. 41.58 crore for FY2017. The revenue stood at Rs. 36.07 crore in FY2016 and Rs. 33.82 crore in FY2015 on account of demonetisation. There were no orders during the period November 2016 to March2017.

• Working capital intensive operations

SPPL has working capital intensive operations marked by high working capital days of 158 days in FY2017 (Provisional) as against 94 days in FY2016 mainly on account of high inventory holding period of 134 days in FY2017 and 94 days in FY2016. The debtor days stood at 70 in FY2017 (Provisional) compared to 50 in FY2016. The GCA days have been high at 210 days in FY2017 (Provisional) as against 146 days in FY2016. The bank limit utilisation stood at ~95 per cent for the last six months ended October 2017.

• Susceptibility of margins to volatility in raw material prices

Revenues of SPPL have been uneven during the period under study on account of fluctuations in global crude prices. Further, the margins are also susceptible to fluctuation in the prices of raw material, mainly PVC used to manufacture pipes.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of SPPL to arrive at the rating.

Outlook: Stable

SMERA believes that SPPL will maintain a stable outlook over the medium term on account of the extensive experience of its promoters. The outlook may be revised to 'Positive' in case of substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure owing to equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or deterioration in the financial risk profile due to debt-funded capital expenditure or elongated working capital cycle.

About the Rated Entity - Key Financials

In FY2016-17, the company reported profit after tax (PAT) of Rs.0.11 crore. The tangible net worth stood at Rs.7.94 crore as on 31 March, 2017 (Provisional) as against Rs. 7.63 crore a year earlier.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
01-Sep-2016	Cash Credit	Long Term	INR 8	SMERA B+ / Stable
	Term Loan	Long Term	INR 2.72	SMERA B+ / Stable
	Proposed Cash Credit	Long Term	INR 1	SMERA B+ / Stable
	Proposed Bank Guarantee	Short Term	INR 0.5	SMERA A4
	Proposed Letter of Credit	Short	INR 3	SMERA A4

		Term	
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***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	11.00 (Enhanced from Rs. 8.00 Cr.)	SMERA B+ / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.72	SMERA B+ / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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