

Press Release

Stuti Pipes Private Limited

January 07, 2020



Rating Reaffirmed and Withdrawn

Total Bank Facilities Rated*	Rs.15.22 crore
Long Term Rating	ACUITE B+/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

Acuite has withdrawn the long term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on Rs.2.72 crore bank facilities of STUTI PIPES PRIVATE LIMITED (SPPL).

SPPL was incorporated in 2011 by Mr. Suresh Kumar Sharma (CMD), Mr. Sushil Kumar Sharma and Mr. Somesh Sharma. The company is engaged in the manufacturing of Unplasticized Polyvinyl Chloride (uPVC) pipes at Baroda (Gujarat) and has an installed capacity of around 6,000 Tonnes p.a. The pipes are used for irrigation, drainage and sewage, water distribution, among others.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Stuti Pipes Private Limited (SPPL) to arrive at this rating.

Key Rating Drivers

Strengths

• Established track record of operations and experienced management

Incorporated in the year 2011, Stuti Pipes Private Limited is promoted by Mr. Suresh Kumar Sharma, Mr. Sushil Kumar Sharma and Mr. Somesh Sharma. The company has been in the manufacturing of Unplasticized Polyvinyl Chloride (uPVC) pipes since 2011. The pipes manufactured are used for irrigation, drainage and sewage, water distribution and plumbing systems. However, SPPL caters majorly to the irrigation/agriculture industry by selling to government bodies like Gujarat Water Supply and Sewerage Board and various panchayat samiti. SPPL caters to customers majorly located in the state of Gujarat, Maharashtra, and Rajasthan etc. SPPL has its administrative office and factory unit in Baroda, Gujarat.

The extensive experience of the promoters is reflected through the established relationship with the company's customers and suppliers. The key customers of the company have no major concentration in revenues. On the back of the stable and repetitive orders by the various customers, the revenues of the company have seen a compound annual growth rate (CAGR) of about 7.23 per cent over the past three years through FY2019 at Rs. 36.68 crore in FY2019.

SPPL is expected to continue to leverage its well established relationships with reputed clients and suppliers. Acuite believes that SPPL will continue to benefit from its established track record of operations and experienced management and their long standing relationships with reputed

customers and suppliers.

Weaknesses

• Average financial risk profile

SPPL's financial risk profile is average, marked by a modest net worth, high gearing (debt-to-equity), and modest debt protection measures.

SPPL's net worth has remained modest at around Rs.4.51 crores as on March 31, 2019. The net worth levels have remained modest due to declining operating margins, which has resulted in limited accretion to reserves over the last three years through FY 2019. Though, the revenues of the company are expected to remain in the range of Rs. 41.11 crore to Rs. 49.24 crore over the medium term, the declining operating margins are likely to lead to limited accretion to reserves. Acuite expects the net worth to remain modest in the range of Rs.4.76 crore to Rs. 5.98 crore over the medium term, in the absence of any equity infusion by the promoters.

The company has followed an aggressive financial policy in the past, the same is reflected through its peak gearing levels of 4.54 times as on March 31, 2017. The leverage levels continue to remain high at around 3.26 times as on March 31, 2019. The company generated cash accruals in the range of Rs.0.91 crore to Rs. 0.79 crore from during the past three years. Lower accruals and accretions to reserves led to high gearing as on March 31, 2019, even after an equity infusion of around Rs. 0.91 crore in FY2019.

The revenues of the company increased by around 24.87 per cent to Rs.36.68 crore during 2018-19, while its operating margins declined to 6.26 per cent as against 7.94 per cent in FY2018. The moderate profitability coupled with high gearing level has led to average debt protection measures. The NCA/TD and interest coverage ratio for FY 2019 were modest at 0.05 percent and 1.57 times, respectively.

• Working capital intensive nature of operations

SPPL's working capital operations remained intensive with Gross Current Assets (GCA) of 217 days during FY19 as against 219 days in FY18. The company maintains inventory of 119 days in FY19 as against 141 days in the previous year. On the other hand, the company gets a limited credit period from its suppliers, leading to higher reliance on working capital limits. Further, it allows a credit period of around 86 days to its customers. Current ratio of the company stood moderate at 1.09 times as on 31 March, 2019.

Acuite believes that the working capital operations of SPPL will continue to remain intensive on account of high level of inventory holding period.

Rating Sensitivity

- Significant improvement in its working capital management with GCA days of less than 180 days.
- Further, decline in profitability levels thereby impacting company's debt coverage indicators.
- Sustainable and substantial growth in revenues with improvement in profitability

Material Covenants

None

Liquidity: Adequate

The company has adequate liquidity profile marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 0.79 crore for FY2019 as against no significant debt obligations for the same period. The cash accruals of the company are estimated to remain around Rs. 0.87 crore to Rs. 1.30 crore during FY2020-22 against no major repayment obligations. SPPL's working capital operations are intensive marked by gross current asset (GCA) of 217 days. The company maintains unencumbered cash and bank balances of Rs. 0.19 crore as on 31 March, 2019. The current ratio stood at 1.09 times as on 31 March, 2019. Acuite

believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuite believes that SPPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates lower-than-anticipated cash accruals, most likely as a result of sharp decline in operating margins, or deterioration in working capital leading to higher reliance on external borrowings thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	36.68	29.37
PAT	Rs. Cr.	0.13	0.17
PAT Margin	(%)	0.35	0.60
Total Debt/Tangible Net Worth	Times	3.26	3.51
PBDIT/Interest	Times	1.57	1.73

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to previous three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
14th Jan. 2019	Cash Credit	Long Term	11.00	ACUITE B+ Issuer not co-operating*
	Term Loan	Long Term	2.72	ACUITE B+ Issuer not co-operating*
	Proposed Short Term Loan	Short Term	1.50	ACUITE A4 Issuer not co-operating*
08th Nov. 2017	Cash Credit	Long Term	11.00	ACUITE B+/ Stable (Reaffirmed)
	Term Loan	Long Term	2.72	ACUITE B+/ Stable (Reaffirmed)
	Proposed Short Term Loan	Short Term	1.50	ACUITE A4 (Reaffirmed)
01 st Sept. 2016	Cash Credit	Long Term	8.00	ACUITE B+/ Stable (Assigned)

	Term Loan	Long Term	2.72	ACUITE B+/ Stable (Assigned)
	Proposed Cash Credit	Long Term	1.00	ACUITE B+/ Stable (Assigned)
	Proposed Bank Guarantee	Short Term	0.50	ACUITE A4 (Assigned)
	Proposed Letter of Credit	Short Term	3.00	ACUITE A4 (Assigned)

*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	14.00	ACUITE B+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.72	ACUITE B+/ Stable (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.22	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuите.in Charu Mahajan Analyst - Rating Operations Tel: 011-49731308 charu.mahajan@acuите.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuите.in

About Acuite Ratings & Research:

Acuite Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuite.