

Akshay Khandelwal Tubes & Ispat Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Open Cash Credit	4.50	SMERA BB/Stable (Assigned)
Term Loan	1.00	SMERA BB/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA BB**' (read as **SMERA double**) on the Rs.5.50 crore bank facilities of Akshay Khandelwal Tubes & Ispat Private Limited (AKTIPL). The outlook is '**Stable**'. The rating draws support from the experienced management, long track record of operations and efficient working capital management. The rating is also strengthened by the established relations of the company with customers and the average financial risk profile. However, the rating is constrained by the moderate scale of operations and geographical concentration risk.

AKTIPL, established in 1989 by Mr Akshay Khandelwal, was converted into a private limited company in 2011. The company is engaged in the trading of steel and PVC pipes and tubes. The promoter Mr Akshay Khandelwal has over three decades of experience in the same.

The company's working capital efficiency is marked by low average working capital days in the range of 62-87 days over the last four years. The gross current assets have been in the range of 80-90 days and the average inventory around 45-62 days in the last three years.

The average financial risk profile is marked by low gearing, moderate interest, healthy debt protection measures and relative low net worth. The debt equity stands at 1.32 times and interest coverage at 2.53 times in FY2016 (Provisional). Moreover, the net cash accruals to total debt is at 0.12 times and the net worth is at Rs.4.79 crore in FY2016 (Provisional).

AKTIPL caters mainly to the Orissa government, L&T Construction Company among others. The company purchases tubes and pipes from Jindal India Ltd, Apl Apollo Tubes Ltd, Steel Authority of India Ltd (SAIL). Over the years, it has established relationships with its customers and suppliers.

However, the scale of operations of the company has been moderate. Despite the long track record of operations, revenue increased from Rs.37.25 crore in FY2013 to Rs.46.43 crore in FY2016 (Provisional).

Since the company largely caters to customers based in Orissa, it is exposed to geographical concentration risk.

Rating Sensitivity Factors

- Improvement in scale of operations
- Sustenance of profit margins
- Extent of debt funded capex

Outlook-Stable

SMERA believes that AKTIPL will maintain a stable outlook and benefit over the medium term from the promoters' extensive experience in trading of pipes and tubes. The outlook may be revised to 'Positive' if the company registers more than envisaged sales and profitability. Conversely, the outlook may be revised to 'Negative' if it fails to achieve the envisaged revenue growth.

Criteria applied to arrive at the ratings:

- Trading entities

About the Company

The Bhubaneswar-based AKTIPL, a proprietorship concern, established in 1989 by Mr Akshay Khandelwal, was converted to private limited in 2011. The company trades in PVC and steel pipes and tubes.

For FY2014-15, AKTIPL reported profit after tax (PAT) of Rs.0.67 crore on total operating income of Rs.42.95 crore as compared with profit after tax (PAT) of Rs.0.40 crore on total operating income of Rs.38.58 crore in FY2013-14.

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ABOUT SMERA

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