

Apurvi Industries: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	6.00	SMERA BB-/Stable (Assigned)
Term Loan	3.77	SMERA BB-/Stable (Assigned)
Proposed Cash Credit	2.00	SMERA BB-/Stable (Assigned)
Proposed Term Loan	0.50	SMERA BB-/Stable (Assigned)
Proposed fund and non-fund based Facilities	0.43	SMERA BB-/Stable/SMERA A4 (Assigned)

SMERA has assigned ratings of '**SMERA BB-**' (read as **SMERA double B minus**) and '**SMERA A4**' (read as **SMERA A four**) to the above mentioned bank facilities of Apurvi Industries. The outlook is '**Stable**'.

The ratings derive comfort from the extensive experience of the proprietor in the metal industry, moderate financial risk profile and reputed clientele. However, the ratings are constrained by the moderate scale of operations and working capital intensive business. The ratings also factor in the susceptibility of margins to volatility in raw material prices and foreign exchange fluctuation risk. The ratings also note the proprietorship constitution of the firm.

Apurvi Industries established in 2000 is a Gujarat-based proprietorship firm engaged in the manufacture of stainless steel pipes and tubes. The proprietor, Mr.Viren D Gathani has more than two decades of experience in the same line of business. The firm has moderate financial risk profile marked by gearing of 1.68 times as on March 31, 2016. The interest coverage ratio is comfortable and stands at 2.27 times in FY2016. The net worth stands at Rs.6.86 crore as on 31 March 2016. Apurvi Industries caters to reputed clients such as KSB Pumps Limited, Texmo Industries, Shaktipumps (I) Limited among others.

Apurvi Industries operates on a moderate scale with operating income of Rs.25.02 crore in FY2016 as compared to Rs.18.55 crore in FY2015. The firm registered revenues of around Rs.17.00 crore for HY2016-17 (Provisional). The operations are working capital intensive, as reflected by gross current assets of 237 days due to the high inventory of 152 days as on March 31, 2016. Plans are on to install additional machinery worth Rs.0.50 crore to be funded through term loan of Rs.0.40 crore and own funds of Rs.0.10 crore. The debt funded capex is likely to have a moderate impact on the financial risk profile.

The operating margins of Apurvi Industries are susceptible to volatility in raw material prices of steel. However, the EBITDA margin has improved to 12.52 per cent for FY2016 compared to 10.61 per cent in FY2015 on account of reduction in prices of raw material. Besides, the firm is also exposed to foreign exchange fluctuation risk for un-hedged exports. The proprietorship constitution of the firm also renders it vulnerable to capital withdrawal.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability margins
- Efficient working capital management
- Movement in capital structure and coverage indicators

Outlook-Stable

SMERA believes that the outlook on Apurvi Industries will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of further improvement in the scale of operations, while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Firm

Apurvi Industries, incorporated in 2000 is a proprietorship firm engaged in the manufacture and export of stainless steel pipes and tubes. The proprietor, Mr.Viren D Gathani has more than two decades of experience in the aforementioned line of business. The firm has a production capacity of 1200 pipes/day.

In FY2015-16, the firm reported net profit of Rs.0.52 crore on operating income of Rs.25.02 crore against PAT of Rs.0.39 crore on operating income of Rs.18.55 crore in the previous year.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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