

Press Release

11 April, 2017

Sanjivini Pipes And Fittings Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.9.96 Cr
Long Term Rating	SMERA B+ / Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 9.96 crore bank facilities of Sanjivini Pipes And Fittings Private Limited. The outlook is '**Stable**'.

Sanjivini Pipes and Fittings Private Limited (SPFPL), incorporated in 2012 promoted, by Mr. Mohammed Ali and his family members. SPFPL engages in manufacturing PVC pipes and fittings. The Company has an installed capacity of 1600 MT/annum. The Company mainly caters to dealers market and operations are based out of Udupi, Karnataka

Key Rating Drivers

Strengths

- **Experienced Promoters**

Sanjivini Pipes and Fittings Private Limited (SPFPL), incorporated in 2012, promoted by Mr. Mohammed Ali and his family members who have more than a decade of experience in plastic pipes industry

- **Healthy operating margins**

SPFPL's operating margins are healthy on account of lower raw material cost as a percentage of sales. However, margins have declined in FY2016 over the previous year on account of increase in employee cost as a percentage of sales. EBITDA margins stood at 17.46 percent in FY2016 as compared to 20.38 percent in FY2015. PAT margins stood at 1.07 percent in FY2016 as compared to 1.13 percent in FY2015

Weaknesses

- **Small scale of operations**

SPFPL's operations are small scale in nature with a revenue growth at a CAGR of 15 percent for the period under study from FY2014-16 on account of increase in order book value. Operating income stood at Rs.13.40 crore in FY2016 as compared to Rs.10.58 crore in FY2015. As per 11MFY2017 Provisionals, operating income stood at Rs.10.00 crore.

- **Below average financial risk profile**

SPFPL's financial risk profile is moderate marked by low net worth of Rs.3.28 crore as on 31 March 2016. Gearing is moderate and stood at 2.42 times as on 31 March 2016 as compared to 3.50 times as on 31 March 2015. ICR stood at 2.12 times for FY2016 as compared to 2.00 times for FY2015.

- **Working capital intensive operations**

SPFPL's operations are working capital intensive in nature with Gross Current Assets (GCAs) of 226 days on account of high debtor levels of 153 days. Further, company's liquidity profile is stretched as it utilises ~95 percent of its working capital limits.

- **Profitability susceptible to volatility in raw material prices**

SPFPL's operating profitability is susceptible to volatility in raw material cost (LDPE granules) driven by the global petroleum prices are volatile in nature.

- **Competitive and fragmented industry**

The company is engaged plastic industry. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of Sanjivini Pipes and Fittings Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes SPFPL's outlook will remain stable and the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company is able to have a steady and diversified revenue profile with stable operating margins and continue to maintain working capital cycle effectively. The outlook may be revised to 'Negative' in case the company faces stretched working capital cycle or fall in revenue.

About the Rated Entity - Key Financials

For FY2015-16, the company registered profit after tax (PAT) of Rs.14 crore on operating income of Rs.13.40 crore as against net profit after tax of Rs.0.12 crore on operating income of Rs.10.58 crore in the previous year. The net worth stood at Rs.3.28 crore as on 31 March 2016 as compared to Rs.2.41 crore as on 31 March 2015.

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

Not Applicable

Any other information

Not Available

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)

Not Applicable

***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	4.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.73	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.40	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.33	SMERA B+ / Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head - Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Ankit Gupta Rating Analyst Tel: 022-67141263 ankit.gupta@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details please visit www.smera.in.

Disclaimer: A SMERA 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. SMERA 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA 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.smera.in) for the latest information on any instrument rated by SMERA.