## Press Release

**Sanjivini Pipes and Fittings Private Limited**

June 28, 2018

**Rating Reaffirmed**

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

** Refer Annexure for details*

**Rating Rationale**

Acuité has reaffirmed long-term rating of '**ACUITE B+**' **(read as ACUITE 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) was incorporated in 2012 as a private limited promoted by Mr. Mohammed Ali and his family. SPFPL is engaged in manufacturing PVC pipes and fittings. The company operations are based out of Udupi (Karnataka).

### Key Rating Drivers

#### Strengths

- **Experienced Promoters**
  Sanjivini Pipes and Fittings Private Limited (SPFPL), incorporated in 2012, was promoted by Mr. Mohammed Ali and his family 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 FY2018 (estimated) over the previous year on account of increase in employee cost and raw material cost as a percentage of sales. EBIDTA margins stood at 14.42 percent in FY2018 (estimated) as compared to 17.59 percent in FY2017. PAT margins stood at 1.10 percent in FY2018 (estimated) as compared to 0.58 percent in FY2017.

#### Weaknesses

- **Small scale of operations**
  The operations are small scale in nature with a revenue growth at a CAGR of 5.44 percent for the period under study from FY2015-18. Operating income stood at Rs.15.71 crore in FY2018 (estimated) as compared to Rs.11.72 crore in FY2017.

- **Below average financial risk profile**
  The company has below average financial risk profile marked by low net worth, high gearing and moderate debt protection measures. The net worth of the company stood low at Rs.3.51 crore (estimated) as against Rs.3.35 crore in the previous year. The gearing of the company stood high at 2.33 times as on 31 March, 2018 (estimated) as against 2.22 times in the previous year. The total debt of Rs.8.18 crore consists of long term debt of Rs.2.85 crore, unsecured loans from promoters of Rs.0.89 crores and short term borrowings of Rs.4.44 crores. The interest coverage ratio stood at 2.54 times in FY2018 (estimated) as against 2.03 times in the previous year. The NCA/TD ratio stood at 0.16 times in FY2018 (estimated) as against 0.14 times in the previous year.

- **Working capital intensive nature of operations**
  SPFPL's operations are working capital intensive in nature with Gross Current Assets (GCA) of 221 days on account of high debtor levels of 140 days. Further, the company's liquidity profile is stretched as it fully utilizes 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 nature of business**

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

## Analytical Approach

Acuité has considered the standalone business and financial risk profile of the company.

## Outlook: Stable

Acuité believes that SPFPL's outlook will remain 'Stable' as the company will benefit over the medium term from to its experienced management. The outlook may be revised to 'Positive' in case the company is able 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

| | Unit | FY18 (Estimated) | FY17 (Actual) | FY16 (Actual) |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 15.71 | 11.72 | 13.40 |
| EBITDA | Rs. Cr. | 2.26 | 2.06 | 2.34 |
| PAT | Rs. Cr. | 0.17 | 0.07 | 0.14 |
| EBITDA Margin | (%) | 14.42 | 17.59 | 17.46 |
| PAT Margin | (%) | 1.10 | 0.58 | 1.07 |
| ROCE | (%) | 10.10 | 10.18 | 12.11 |
| Total Debt/Tangible Net Worth | Times | 2.33 | 2.22 | 2.42 |
| PBDIT/Interest | Times | 2.54 | 2.03 | 2.12 |
| Total Debt/PBDIT | Times | 3.61 | 3.61 | 3.39 |
| Gross Current Assets (Days) | Days | 221 | 258 | 226 |

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

Not Applicable

## Any other information

Not Applicable

## Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

## Note on complexity levels of the rated instrument

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

## Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|---|---|---|---|---|
| 11-Apr-2017 | Cash Credit | Long Term | 4.00 | ACUITE B+ / Stable (Assigned) |
| | Term Loan | Long Term | 0.73 | ACUITE B+ / Stable (Assigned) |
| | Term Loan | Long Term | 3.50 | ACUITE B+ / Stable (Assigned) |
| | Term Loan | Long Term | 1.40 | ACUITE B+ / Stable (Assigned) |
| | Term Loan | Long Term | 0.33 | ACUITE B+ / Stable (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 | 4.00 | ACUITE B+ / Stable (Reaffirmed) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.73 | ACUITE B+ / Stable (Reaffirmed) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 3.50 | ACUITE B+ / Stable (Reaffirmed) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 1.40 | ACUITE B+ / Stable (Reaffirmed) |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.33 | ACUITE B+ / Stable (Reaffirmed) |