

Press Release

Sanjivini Pipes and Fittings Private Limited

August 06, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.9.96 Cr.
Long Term Rating	ACUITE B+/ Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs.9.96 crore bank facilities of SANJIVINI PIPES AND FITTINGS PRIVATE LIMITED (SPPL). The outlook is '**Stable**'.

The rating reaffirmation is based on modest scale of operations, working capital intensive operations and stretched liquidity. The receivable days are highly stretched at 146 days in FY2019 (provisional) which is mainly due to seasonality of the nature of business. However, the rating is supported by comfortable financial risk profile.

Sanjivini Pipes and Fittings Private Limited (SPPL), incorporated in 2012, is a private limited company promoted by Mr. Mohammed Ali and his family members. It engages in manufacturing PVC pipes and fittings. The company's operations are based out of Udupi (Karnataka). Currently, the company has an installed capacity of 1600MT of pipes and 800MT of fittings. The company has certifications of ISO 9001:2015 and ISI for pipes CM/L-4690071. The manufactured products are PVC Pipes of range 20mm to 200mm and PVC fittings of 20mm to 110 mm. The products are sold under the brand name of 'Sanjivini'.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of SPPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

SPPL, incorporated in 2012, was promoted by Mr. Mohammed Ali and his family who have more than a decade of experience in plastic pipes industry. His experience has helped build healthy relationship with customers and suppliers across the southern region, which resulted in a moderate growth in its revenues at a compound annual growth rate (CAGR) of about 18 per cent over three years through FY2019. Acuité believes that SPPL will continue to benefit from its established position in the market and management's vintage.

• Healthy operating margins

SPPL's operating margins are healthy on account of lower raw material cost as a percentage of sales. Operating margins stood at 18.36 percent in FY2019 (provisional) as compared to 11.88 percent in FY2018. PAT margins stood at 6.95 percent in FY2019 (provisional) as compared to 0.78 percent in FY2018. Acuité believes that the margins are expected to be at similar levels supported by improving revenues year-over-year.

• Comfortable financial risk profile

Financial risk profile of the company is comfortable marked by comfortable gearing, total outside liabilities to tangible net worth (TOL/TNW) and debt protection metrics. The gearing and TOL/TNW are comfortable at around 1.59 and 2.11 times in FY2019 (provisional). Net worth is modest at Rs.5.38 crore as on 31 March, 2019 (provisional) as against Rs.3.48 crore as on 31 March, 2018; owing to accretion to reserves. Of the total debt of Rs.8.55 crore as on 31 March, 2019 (provisional), long term debt constitutes Rs.1.69 crore, short term debt of Rs.6.02 crore and unsecured loans of Rs.0.84 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) are comfortable at about 2.94 and 0.23 times in FY2019 (provisional) against moderate levels of 2.15 and 0.12 times respectively in FY2018. The company reported cash accruals of Rs.1.98 crore for FY2019 (provisional). Further, repayment obligations are expected to be in the range of Rs.0.25-0.90 crore against annual cash accruals of about Rs.1.50-2.00 crore. Acuité believes that financial risk profile is expected to improve on account of repayment of long term debt and in

absence of any significant debt-funded capex plans.

Weaknesses

• Working capital intensive operations

Operations of the company have shown moderate working capital management marked by gross current assets (GCA) of 226 days in FY2019 (provisional) as against 209 days in FY2018. Deterioration in GCA is owing to increase in receivable period. Inventory days stood at 79 days in FY2019 (provisional) against 76 days in FY2018. However, the receivable period was elongated, and it stood at 146 days for FY2019 (provisional) against 126 days in FY2018. Working capital intensive operations and modest net worth led to high utilisation of its bank lines at about 98 per cent over last six months through June 2019. Also, its current ratio is moderate at about 1.07 times as of March 31, 2019 (provisional). Acuite believes that the working capital operations are expected to remain moderate due to seasonality in the nature of business thereby stretching the receivable period.

• Modest scale of operations

The operations are small scale in nature with a revenue growth at a CAGR of 18.00 percent for the period under study from FY2017-19. Operating income stood at Rs.16.32 crore in FY2019 (provisional) as compared to Rs.11.72 crore in FY2017. Going forward, the revenues are expected to remain in the similar range of Rs.16-20 crore for the medium term.

Liquidity Position:

SPPL has stretched liquidity characterised by high bank limit utilisation, though sufficient cushion in accruals. SPPL reported cash accruals of Rs.1.98 crore for FY2019 (provisional). Further, repayment obligations are expected to be in the range of Rs.0.20-0.90 crore against annual cash accruals of about Rs.1.50-2.00 crore for the medium term. Its operations are working capital intensive with GCA of about 226 days in FY2019 (provisional); and that led to high bank lines which are utilised at about 98 percent through June, 2019. Its current ratio is moderate at 1.07 times in FY2019 (provisional). Acuite believes that the liquidity profile of SPPL continues to be at similar levels owing to the growth trajectory and business cycle.

Outlook: Stable

Acuite believes that SPPL's outlook will remain 'Stable' as the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case of significant improvement in its revenues while sustaining the profitability and capital structure. The outlook may be revised to 'Negative' in case of any further stretch in its working capital management leading to Deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	16.32	15.79	11.72
EBITDA	Rs. Cr.	3.12	1.95	2.06
PAT	Rs. Cr.	1.13	0.12	0.07
EBITDA Margin	(%)	19.11	12.36	17.59
PAT Margin	(%)	6.95	0.77	0.58
ROCE	(%)	18.04	9.88	10.18
Total Debt/Tangible Net Worth	Times	1.59	2.41	2.22
PBDIT/Interest	Times	3.10	2.15	2.03
Total Debt/PBDIT	Times	2.70	4.18	3.61
Gross Current Assets (Days)	Days	226	207	250

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities in Manufacturing sector- <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
28-Jun-2018	Cash Credit	Long Term	4.00	ACUITE B+/Stable (Reaffirmed)
	Term Loans	Long Term	0.73	ACUITE B+/Stable (Reaffirmed)
	Term Loans	Long Term	3.50	ACUITE B+/Stable (Reaffirmed)
	Term Loans	Long Term	1.40	ACUITE B+/Stable (Reaffirmed)
	Term Loans	Long Term	0.33	ACUITE B+/Stable (Reaffirmed)
11-Apr-2017	Cash Credit	Long Term	4.00	ACUITE B+/Stable (Assigned)
	Term Loans	Long Term	0.73	ACUITE B+/Stable (Assigned)
	Term Loans	Long Term	3.50	ACUITE B+/Stable (Assigned)
	Term Loans	Long Term	1.40	ACUITE B+/Stable (Assigned)
	Term Loans	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)

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About Acuité Ratings & Research:

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