

Press Release

Zixin Cylinders Private Limited

September 23, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 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. 10.00 crore bank facilities of Zixin Cylinders Private Limited. The outlook is '**Stable**'.

The Andhra Pradesh-based Zixin Cylinders Private Limited (ZCPL) was incorporated in December 2015 by Mr Rahul Karanam and family. The company is engaged in the manufacturing of LPG cylinders of 14.5 kgs and has installed capacity of 7 lakh cylinders per annum.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of ZCPL possess extensive experience in various business ventures including manufacturing of cattle feed, construction and chit funds.

- **Healthy order bookposition**

The company commenced operations in June 2017 to manufacture and supply 2 lakh cylinders to Hindustan Petroleum Corporation Ltd (HPCL). Till August, ZCPL supplied ~ 11,250 cylinders clocking revenue of ~ Rs 1.40 crore while ~ 17000 cylinders are waiting to be despatched. The current installed capacity is 7 lakh cylinders per annum.

Weaknesses

- **Nascent stage of operations**

The operations commenced in June 2017 and hence are at a nascent stage.

- **Limited pricing flexibility on account of tender based nature of business**

ZCPL sells LPG cylinders to HPCL. The operations are tender based which restricts pricing flexibility of the company.

- **Customer concentration risk**

The company is exposed to the risk of customer concentration since 100 per cent of the revenue is derived from HPCL.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of ZCPL.

Outlook: Stable

SMERA believes that ZCPL will maintain a stable outlook over the medium term owing to its experienced management and current order book position. The outlook may be revised to 'Positive' in case of strong growth in scale of operations while registering healthy profitability. Conversely, the

outlook may be revised to 'Negative' in case of deterioration in the scale of operations and profitability or elongation of working capital cycle.

About the Rated Entity - Key Financials

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	2.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	31-Mar-2022	8.00	SMERA B+ / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Aniruddha Dhar Analyst - Rating Operations Tel: 033-66201212 aniruddha.dhar@smera.in	

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