

Press Release

Sahuwala Cylinders Private Limited

30 December, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs.35.00 Cr.
Long Term Rating	SMERA BB/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (**read as SMERA double B**) on the Rs. 35.00 crore bank facilities of Sahuwala Cylinders Private Limited. The outlook is '**Stable**'.

Sahuwala Cylinders Private Limited (SCPL) is a Visakhapatnam-based company incorporated in 1982 by Mr. Pawan Kumar Gupta. The company manufactures LPG cylinders, LPG containers (used in automobiles) and pre-stressed concrete sleepers. It outsources production of CNG cylinders and services damaged cylinders. The company is led by Mr. Abhishek Gupta (Managing Director), son of Mr Pawan Gupta. SCPL has three manufacturing units at Vishakhapatnam with installed capacity of 21, 60, 000 cylinders per annum. The current utilisation is ~63 per cent.

Key rating drivers

Strengths

Established track record and experienced management: SCPL has been manufacturing LPG cylinders since 1983 and LPG containers from 2001. Mr. Abhishek Gupta, possess 15 years of experience in the said line of business.

Reputed clientele: The company commenced operations in 1983 and caters mainly to public sector clients including Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, Bharat Petroleum Corporation Limited among others.

Modest order book position: The company has an order book of Rs. 168.00 crore as on September, 2017 which provides revenue visibility over the medium term. The said order book will be executed by March, 2018.

Weaknesses

Average financial risk profile: The financial risk profile of the company is average marked by moderate networth, modest gearing and comfortable debt protection measures. The networth levels stood at Rs. 25.41 crore (Provisional) as on 31 March, 2017 as against Rs. 22.71 crore as on 31 March, 2016. The gearing stood at 1.76 times (Provisional) as on 31 March, 2017 as against 1.47 times in the previous year. The total debt of Rs. 44.72 crore (Provisional) includes term loans from bank of Rs.2.12 crore and working capital funds of Rs.42.60 crore. The Interest Coverage Ratio (ICR) stood at 2.35 times (Provisional) for FY2017 and Debt Service Coverage Ratio (DSCR) at 1.86 times (Provisional). The net cash accruals to total debt (NCA/TD) stood at 0.09 times (Provisional) in FY2017 as against 0.08 times in FY2016.

Working capital intensive operations and stretched liquidity: The operations are working capital intensive marked by Gross Current Asset (GCA) of 136 days (Provisional) in FY2017 and 111 for FY2016. This is on account of the high debtor days of 56 in FY2017 (Provisional) and 29 for FY2016. The inventory days stood at 50 in FY2017 and 34 in FY2016. Further, the liquidity position of the company is stretched with cash credit limit being fully utilised during the six months ended as on 31 August, 2017. However, the company has applied for enhancement of cash credit from Rs. 35.00 crore to Rs. 45.00 crore which will help working capital management.

Uneven revenue trend, tender based operations: SCPL reported revenue of Rs. 173.37 crore in FY2017 as against Rs. 186.72 crore in FY2016. The company exhibits an uneven trend in its operating income as the company is majorly dependent on tenders for its orders. The tender-based nature of operations makes it vulnerable to order cyclical. Further, it reported revenue of Rs. 82.00 crore from April, 2017 to August, 2017.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Sahuwala Cylinders Private Limited to arrive at the rating.

Outlook – Stable

SMERA believes that the outlook on SCPL's rated facilities will remain stable over the medium term on account of its promoter's extensive experience in the industry. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Provisional)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	173.37	186.72	120.59
EBITDA	Rs. Cr.	9.20	5.90	4.98
PAT	Rs. Cr.	2.70	1.93	0.70
EBITDA Margin	(%)	5.31	3.16	4.13
PAT Margin	(%)	1.56	1.03	0.58
ROCE	(%)	12.79	11.59	8.00
Total Debt/Tangible Net Worth	Times	1.76	1.47	1.41
PBDIT/Interest	Times	2.35	2.16	1.63
Total Debt/PBDIT	Times	4.72	4.74	5.83
Gross Current Assets (Days)	Days	136	111	155

Any other information:

Not Applicable

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>

Status of non-cooperation with previous CRA (if applicable): ICRA, vide release dated March 31, 2017 has suspended the ratings of SCPL on account of lack of adequate information required for monitoring of ratings.

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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	SMERA BB/ Stable (Assigned)

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ABOUT SMERA

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