

Press Release

SAHUWALA CYLINDERS PRIVATE LIMITED

D-U-N-S® Number: 91-802-2856

February 26, 2019



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 47.50 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs.45.00 crore bank facilities of SAHUWALA CYLINDERS PRIVATE LIMITED (SCPL). The outlook is '**Stable**'.

Also, Acuite has assigned short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.2.50 crore bank facilities of SCPL.

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.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the SCPL to arrive at this rating.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

SCPL has been manufacturing LPG cylinders since 1983 and LPG containers from 2001. Mr. Abhishek Gupta, has around two decades of experience in the said line of business. The extensive experience of the management has helped the company established long term relations with customers

Acuite believes that the extensive experience of the management in the industry will continue to benefit the company in the near to medium term.

- Reputed clientele**

The company caters mainly to public sector clients including Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, and Bharat Petroleum Corporation Limited among others.

- Modest order book position**

The company has an order book of Rs. 97.07 crore as on 12 February, 2019 which provides revenue visibility over the medium term. The said order book will be executed in next six months.

Weaknesses

- Average financial risk profile**

The financial risk profile is average marked by moderate net worth, modest gearing and comfortable debt protection measures. The net worth levels stood at Rs.27.53 crore as on 31 March, 2018 as against Rs.24.73 crore as on 31 March, 2017. The gearing stood at 1.53 times as on 31 March, 2018 as against 1.81 times in the previous year. The total debt of Rs. 42.19 crore as on 31 March, 2018

includes term loans from bank of Rs.8.57 crore and working capital funds of Rs.33.62 crore. Interest Coverage Ratio (ICR) stood at 2.28 times and Debt Service Coverage Ratio (DSCR) at 1.83 times for FY2018. The net cash accruals to total debt (NCA/TD) stood at 0.10 times in FY2018 as against 0.07 times in FY2017.

• **Working capital intensive operations and stretched liquidity**

The operations are working capital intensive marked by Gross Current Asset (GCA) of 134 days in FY2018 and in FY2017. This is on account of high debtor days of 64 in FY2018 and 35 in FY2017. The inventory days stood at 19 in FY2018 and 46 in FY2017. Further, the liquidity position of the company stood stretched with cash credit limit being almost fully utilised by ~85.92 per cent during the six months ended as on 31 January, 2019. However, the company has applied for enhancement of cash credit which will help improve working capital management.

• **Uneven revenue trend and tender based operations**

SCPL reported revenue of Rs.173.93 crore in FY2018 as against Rs.173.52 crore in FY2017 and 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 cyclicity. Further, the company reported revenue of Rs. 87.80 crore (Provisional) from April, 2018 to September, 2018.

Liquidity Position:

SCPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.2.83-4.03 crore during the three years through 2016-18, while its maturing debt obligations were in the range of Rs.0.24- 0.54 crore over the same period. The cash accruals of the company are estimated to remain around Rs.4.66-6.16 crore during 2019-21, while its repayment obligations are estimated to be around Rs. 3.54-3.79 crore.

The company's operations are working capital intensive as marked by gross current asset (GCA) days of 134 in FY 2018. This has led to higher reliance on working capital borrowings, the cash credit limit of the company remains utilised at ~85.92 percent during the last 6 months period ended January 2019. The company maintains unencumbered cash and bank balances of Rs.4.36 crore as on March 31, 2018. The current ratio of the company stand moderate at 1.34 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	173.93	173.52	186.72
EBITDA	Rs. Cr.	8.35	6.24	5.90
PAT	Rs. Cr.	2.80	2.02	1.93
EBITDA Margin	(%)	4.80	3.60	3.16
PAT Margin	(%)	1.61	1.17	1.03
ROCE	(%)	12.50	11.26	21.91
Total Debt/Tangible Net Worth	Times	1.53	1.81	1.47
PBDIT/Interest	Times	2.28	2.06	2.16
Total Debt/PBDIT	Times	4.25	5.37	4.74
Gross Current Assets (Days)	Days	134	134	111

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

None

Any other information

None

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
30-Dec-2017	Cash Credit	Long Term	35.00	ACUITE BB/ 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	45.00 (enhanced from Rs.35.00 Cr)	ACUITE BB/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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