

Press Release

Savera Pipes Private Limited

27 April, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr
Long Term Rating	SMERA BBB-/Stable (Assigned)
Short Term Rating	SMERA A3 (Assigned)

*Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and the short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs. 10.00 crore bank facilities of Savera Pipes Private Limited (SPPL). The outlook is '**Stable**'.

SPPL, a Hyderabad based company was established in the year 1996 by Mr. Vinod Kumar Giria. It is engaged in manufacturing of PVC Pipes such as PVC tubing, suction hose among others. These products have application in agriculture and industrial sector. The company generates around 60 percent of its revenues by selling agriculture related products. SPPL sells its products through whole sale dealers in Telangana and Andhra Pradesh. The manufacturing facility is located at Hyderabad. The company has its own brands named 'Champion' and 'Shakti'.

key rating drivers

Strengths:

Experienced management and long track record of operation

SPPL is engaged in manufacturing of PVC pipes since 1996. The directors of the company Mr. Vinod Kumar Giria and Mr. Vineet Kumar possess more than two decades of experience in the said line of business. Mr. Vinod Giria looks after the planning and marketing while Mr. Vineet Kumar handles the finance and operations of the company. SMERA believes that long track record of operations coupled with experience of the management in the industry helped with company to maintain healthy relationship with customers and suppliers.

Growth in revenues

SPPL reported healthy revenue growth from Rs.30.88 crore in FY2015 to Rs.38.04 crore in FY2016 and Rs. 52.89 crore in FY2017. This is mainly on account of addition of new dealers coupled with increase in orders from the existing dealers. Further, during 11 months period from 01 April, 2017 to 28 February, 2018, the company has generated revenues around Rs.65 crore (Provisional). SMERA believes that the long track record of operation and promoters extensive experience in the industry have helped the company to maintain long term relations with customers and suppliers.

Moderate capital structure

Financial risk profile of the company is moderate marked by net worth of Rs.6.32 crore as on 31 March, 2017 as against Rs.5.11 crore as on 31 March, 2016. Increase in net worth was due to retention of profits. Debt/Equity of the company remained healthy at 0.91 times as on 31 March, 2017. Interest Coverage Ratio and debt service coverage ratio are healthy at 4.12 times and 3.53 times respectively in FY2017. Further, total outside liabilities to total net worth (TOL/TNW) stood at 2.18 times in F2017 as against 1.82 times in FY2016. SMERA believes that SPPL's financial risk profile is expected to be

moderate in the absence of any large debt-funded capital expenditure (capex) plans over the medium term.

Weaknesses

Susceptibility of operating performance to offtake by agriculture sector

As the company generates majority of its revenues by selling agriculture related products, any lower than expected offtake in agriculture sector will impact the performance of the company. This is despite agricultural sector getting assistance from the government in the form of minimum support price and other agriculture subsidies.

Highly fragmented and competitive nature of operations

SPPL operates in a highly fragmented pipe manufacturing industry with a large number of players in the organised and unorganised sector limiting the bargaining power with customers.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Savera Pipes Private Limited to arrive at this rating.

Outlook - Stable

SMERA believes that SPPL will continue to benefit over the medium term from the extensive experience of its promoters, healthy capital structure and established relationship with customers and suppliers. The outlook may be revised to 'Positive' if significant increase in scale of operations and improvement in profitability margins are observed. The outlook may be revised to 'Negative' if SPPL fails to achieve expected revenue or operating margin or any further stretch in working capital cycle on account of debtors.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	52.89	38.04	30.88
EBITDA	Rs. Cr.	2.95	2.18	1.77
PAT	Rs. Cr.	1.21	0.76	0.64
EBITDA Margin	(%)	5.59	5.74	5.72
PAT Margin	(%)	2.28	2.00	2.08
ROCE	(%)	22.87	19.29	33.67
Total Debt/Tangible Net Worth	Times	0.91	0.91	0.92
PBDIT/Interest	Times	4.12	3.53	3.45
Total Debt/PBDIT	Times	1.91	2.09	2.22
Gross Current Assets (Days)	Days	107	104	101

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application of 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):

Not Applicable

Any other information:

Not Applicable

Rating History for the 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	9.50	SMERA BBB-/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A3

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ABOUT SMERA

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