

Press Release

Savera Pipes Private Limited

D-U-N-S® Number: 72-564-5944

March 22, 2019



Rating Reaffirmed and Withdrawn

Total Bank Facilities Rated*	Rs. 12.50 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 12.50 crore bank facilities of Savera Pipes Private Limited (SPPL). The outlook is '**Stable**'.

Further, Acuite has withdrawn the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 0.50 crore of bank facilities of SPPL.

Hyderabad based, SPPL was incorporated in 1996 by Mr. Vinod Kumar Giria (Managing Director) and Mr. Vineet Kumar Giria (Director). It is engaged in the manufacturing of PVC Pipes such as PVC Tubing, Suction Hose, Braided Hose, Krishi Hose, Corrugated Hose, Steel Reinforced PVC Pipes, Duct Hose and PVC Rigid Pipes. The manufacturing facility is located at Jeedimetla (Hyderabad).

Analytical Approach

Acuite has considered the standalone business and financial risk profile of SPPL to arrive at the rating.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

SPPL was incorporated in 1996, thus the company has an operational track record of over two decades in pipe fittings industry. The directors of the company have an experience of over two decades in the same line of business. The long track record of operations and experience of management has helped the company develop healthy relationships with its customers and suppliers. Acuite believes that SPPL will sustain its existing business profile on the back of established track record of operations and experienced management.

- Growth in revenues**

The company has reported healthy revenue growth from Rs.38.04 crore in FY2016 to Rs.52.89 crore in FY2017 and Rs.70.88 crore in FY2018. This is mainly on account of increase in orders from the existing dealers and increased production due to addition of new unit in FY2018. Further, during 11 months period from 01 April, 2018 to 28 February, 2019, the company has generated revenues of ~Rs.80.00 crore (Provisional). Acuite believes that the scale of operations will continue to grow in the near to medium term on account of repetitive orders from its customers.

- Moderate financial risk profile**

The financial risk profile remained moderate marked by moderate net worth, debt protection metrics and coverage indicators. The net worth of SPPL stood at Rs. 8.47 crore as on 31 March 2018 as against Rs. 6.32 crore as on 31 March 2017. The gearing (debt-equity) stood at 1.30 times as on 31 March 2018 as against 0.91 times as on 31 March 2017. The total debt of Rs. 11.01 crore as on 31 March 2018 mainly comprises Rs. 10.43 crore of working capital borrowings and Rs. 0.58 crore of long term debt. The coverage indicators stood moderate marked by Interest Coverage Ratio (ICR) of 4.55 times for FY2018 as against 4.12 times for FY2017. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.24 times in FY2018 and 0.29 times in FY2017. Debt to EBITDA stood at 2.43 times in FY2018 as against 1.91 times in FY2017. Acuite believes that the financial risk profile of the company is expected to remain moderate backed by average net cash accruals and in absence of any major debt funded capex in near to medium term.

• Moderate working capital operations

Working capital operations remained moderate marked by Gross Current Assets (GCA) of 100 days for FY2018 as against 107 days for FY2017. Debtor days stood same at 74 days for FY2018 and FY2017. Inventory period stood at 22 days for FY2018 as against 23 days for FY2017. However, the bank limit utilisation stood at 93.08 percent for the past six months ending January 2019.

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 industry

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

Outlook: Stable

Acuite believes that SPPL will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations, experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

Liquidity Position

The company has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 2.66 crore for FY2018 while its maturing debt obligations were Rs. 0.18 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 3.00 crore to Rs. 5.00 crore during 2019-21 against no major debt repayments. The company's working capital operations are efficiently managed marked by gross current asset (GCA) days of 100 days for FY2018. The company maintains unencumbered cash and bank balances of Rs. 0.24 crore as on 31 March 2018. The current ratio stands at 1.15 times as on 31 March 2018. Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual against no major debt repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	70.88	52.89	38.04
EBITDA	Rs. Cr.	4.57	2.95	2.18
PAT	Rs. Cr.	2.16	1.21	0.76
EBITDA Margin	(%)	6.44	5.59	5.74
PAT Margin	(%)	3.04	2.28	2.00
ROCE	(%)	25.19	22.87	19.29
Total Debt/Tangible Net Worth	Times	1.30	0.91	0.91
PBDIT/Interest	Times	4.55	4.12	3.53
Total Debt/PBDIT	Times	2.43	1.91	2.09
Gross Current Assets (Days)	Days	100	107	104

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

Not Applicable

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
27-Apr-2018	Cash Credit	Long Term	9.50	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (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	12.50*	ACUITE BBB- / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50#	ACUITE A3 (Withdrawn)

*Sublimit of CC limit includes WCDL of Rs.12.00 crore, LC of Rs.6.00 crore, BD of Rs.6.00 crore and BG of Rs.2.00 crore.

#Withdrawal amount is not included in total rated facilities.

Contacts

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About Acuité Ratings & Research:

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