

Press Release

Savera Pipes Private Limited

August 27, 2021

Rating Upgraded



Total Bank Facilities Rated*	Rs.16.00 Cr. (Enhanced from Rs.12.50 crore)
Long Term Rating	ACUITE BBB-/Outlook: Stable (Upgraded from ACUITE BB+)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.16.00 crore bank facilities of Savera Pipes Private Limited (SPPL). The outlook is '**Stable**'.

Reason for revision in rating

The upgrade in rating is on account of continuous growth in revenue along with improvement in profitability margin. The revenues of the company stood at Rs.84.74 crore in FY2021 (Prov.) as against Rs.74.74 crore in FY2020 and Rs.77.65 crore in FY2019. EBITDA margins stood at 10.20 percent in FY2021 (Prov.) as against 8.49 percent in FY2020 and 7.56 percent in FY2019. Also, PAT margins improved and stood at 5.95 percent in FY2021 (Prov.) against 3.72 percent in FY2020 and 3.25 percent in FY2019. The growth is mainly supported by increased production due to addition of new unit and addition of new territories to cater leading to increased orders from customers

About the Company

Hyderabad based, Savera Pipes Private Limited (SPPL) was incorporated in 1996. The directors of the company are 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, PVC Rigid Pipes, etc.

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. The directors of the company are Mr. Vinod Kumar Giria (Managing Director) and Mr. Vineet Kumar Giria, who 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 the company will continue to benefit from its established track record of operations and experienced management

- **Improving scale of operations and profitability margins**

SPPL has registered turnover of Rs.84.74 crore in FY2021 (Prov.) as against Rs.74.74 crore in FY2020 and Rs.77.65 crore in FY2019. The growth is mainly supported by increased production due to addition of new unit and addition of new territories to cater leading to increased orders from customers. Also, Operating margins improved and stood at 10.20 percent in FY2021 (Prov.) as against 8.49 percent in FY2020 and 7.56 percent in FY2019. The PAT margins stood at 5.95 percent in FY2021 (Prov.) against 3.72 percent in FY2020 and 3.25 percent in FY2019.

• **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by moderate net worth, moderate gearing (debt to equity ratio) and moderate debt protections metrics. The tangible net worth stood at Rs.13.77 crore as on March 31, 2020 as against Rs.10.99 crore as on March 31, 2019. The total debt of the group stood at Rs.18.72 crore includes Rs.0.38 crore of long term debt and Rs.18.34 crore of short term debt as on March 31, 2020. The gearing (debt-equity) stood at 1.36 times as on March 31, 2020 as compared to 1.53 times as on March 31, 2019. Interest Coverage Ratio stood at 3.32 times for FY2020 as against 3.57 times for FY2019. Debt Service Coverage Ratio (DSCR) stood at 1.24 times in FY2020 as against 2.58 times in FY2019. Total outside Liabilities/Total Net Worth (TOL/TNW) stood high at 1.94 times as on March 31, 2020 as against 2.36 times on March 31, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.19 times for FY2020 as against 0.19 times for FY2019.

Acuite believes that the financial risk profile of the firm is expected to remain at the same level over the medium term.

Weaknesses

• **Working capital intensive operations**

The operations of the firm are working capital intensive operations marked by Gross Current Asset (GCA) days of 161 days in FY2020 as against 141 days in FY2019. High GCA days are due to high inventory period of 81 days in FY2020 as against 61 days in FY2019. Receivables days stood at 82 days in FY2020 as against 81 days in FY2019. The average bank limit utilization remained high at around 82 percent for the past trailing 6 months ended June 2021.

Acuite believes that efficient working capital management will be crucial to the firm in order to maintain a healthy risk profile.

• **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.

Rating Sensitivities

- Significant improvement in operating performance.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.3.57-2.60 crore during the last three years through 2018-20, while its maturing debt obligations were Rs.0.25-0.30 crore over the same period. The company working capital operation is intensive marked by gross current asset (GCA) of 161 days in FY2020 as against 141 days in FY2019. The company maintains an unencumbered cash and bank balances of Rs.0.20 crore as on March 31, 2020. The current ratio of the group stood at 1.26 times as on March 31, 2020. The average bank limit utilization stood high at around 82 percent for the last 6 months ended June 2021.

Outlook: Stable

Acuite believes that the firm will continue to maintain a 'Stable' outlook over near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the firm achieves higher than expected growth in revenues and improvement in

profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	74.74	77.65
PAT	Rs. Cr.	2.78	2.52
PAT Margin	(%)	3.72	3.25
Total Debt/Tangible Net Worth	Times	1.36	1.53
PBDIT/Interest	Times	3.32	3.57

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-May-2020	Cash Credit	Long Term	12.50	ACUITE BB+ (Downgraded) Issuer not co-operating*
22-Mar-2019	Cash Credit	Long Term	12.50	ACUITE BBB-/ Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A3 (Withdrawn)
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

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Citi Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00 (Enhanced from Rs.12.50)	ACUITE BBB-/Stable (Upgraded from ACUITE BB+)

*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.

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About Acuité Ratings & Research:

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