

Press Release

Savera Pipes Private Limited

September 16, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	2.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	18.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B 'minus'**) on the Rs 16.00 Cr bank facilities of SAVERA PIPES PRIVATE LIMITED (SPPL). The rating of '**ACUITE BBB-**' (read as **ACUITE triple B 'minus'**) has been assigned on additional Rs.2.00 Cr of bank facilities of SPPL. The outlook is '**Stable**'.

The ratings reaffirmation continues to be supported by established track record of operations and experienced management, moderate financial risk profile. The rating is, albeit, constrained by its working capital-intensive nature of operations and highly fragmented and competitive nature of industry.

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 amongst others.

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. Acuité believes that the company will continue to benefit from its established track record of operations and experienced management.

- **Moderate financial risk profile**

SPPL's financial risk profile is moderate, marked by moderate net worth, gearing and debt protection metrics. The net worth of SPPL stood at around Rs. 20.11 Cr as on March 31, 2022(Prov) as against Rs.17.06 Cr as on March 31, 2021. The gearing of the company stood at 1.10 times as on March 31, 2022(Prov) as against 1.25 times as on March 31, 2021. The improvement is on account of increase in net worth during the period. TOL/TNW stood at 1.49 times and 1.58 times as on March 31, 2022(Prov.) and 2021, respectively. The debt protection metrics was moderate as observed from moderate Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at 3.65 times and 2.55 times as on March 31, 2022(Prov.) as against 3.94 times and 2.89 times as on March 31, 2021, respectively. We believe that the financial risk profile is expected to be at similar levels over the medium term. Acuité 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 company are working capital intensive operations marked by gross current assets (GCA) days at 135 days as on March 31, 2022(Prov.) as against 140 days as on March 31, 2021. The GCA days are majorly marked by increased inventory days and moderate debtor days. Inventory days stood at 78 days as on March 31, 2022(Prov.) as against 68 days as on March 31, 2021. Subsequently, the payable period stood at 23 days as on March 31, 2022(Prov.) as against 18 days as on March 31, 2021 respectively. The debtor days stood at 59 days as on March 31, 2022(Prov.) as against 71 days as on March 31, 2021. Further, the average bank limit utilization in the last seven months ended August, 22 remained at and 98 percent for fund based limits. Acuité believes that efficient working capital management will be crucial to the firm in order to maintain a healthy risk profile.

- **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

Positive

- Higher-than-expected Improvement in the scale of operations and profitability as envisaged.
- Sustainable improvement in leverage and solvency position of the company.
- Sustainable improvement in Gross current assets (GCA) days.

Negative

- Any large debt-funded capital expenditure, which may adversely impact its capital structure and liquidity
- Any further deterioration in working capital management leading to deterioration in financials risk profile

Material covenants

None

Liquidity Position: Adequate

The company has generated adequate net cash accruals to service its debt obligations. The net cash accruals stood at Rs.4.49 Cr in FY2022 (Prov.) as against the repayment of Rs.0.49 Cr for the same period and expected to generate cash accruals in the range of Rs.4-7 Cr. against current portion of long term debt (CPLTD) of Rs.0.36 Cr. over the medium

term. Unencumbered cash and bank balances stood at Rs. 0.44 Cr as on March 31, 2022. The current ratio of the company stood at 1.49 times as on 31 March, 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of working capital intensive nature of operations.

Outlook: Stable

Acuité believes that the company 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 company 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

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	103.00	84.81
PAT	Rs. Cr.	3.05	3.29
PAT Margin	(%)	2.96	3.88
Total Debt/Tangible Net Worth	Times	1.10	1.25
PBDIT/Interest	Times	3.65	3.94

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

SPPL's rating was Reaffirmed and migrated to 'ISSUER NON COOPERATING" status with CRISIL through its rating rationale dated September 16, 2021. The reason provided by CRISIL is nonfurnishing of information by SPPL.

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>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Aug 2021	Cash Credit	Long Term	16.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
27 May 2020	Cash Credit	Long Term	12.50	ACUITE BB+ (Downgraded and Issuer not co-operating*)
22 Mar 2019	Bank Guarantee	Short Term	0.50	ACUITE A3 (Withdrawn)
	Cash Credit	Long Term	12.50	ACUITE BBB- Stable (Reaffirmed)
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's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE BBB- Stable Reaffirmed
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 moparthy.anuradha@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.