

Press Release

Atul Pumps Private Limited

May 10, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA BB minus) on the Rs. 15.00 crore bank facilities of Atul Pumps Private Limited. The outlook is '**Stable**'.

Agra, Uttar Pradesh based APPL was incorporated in 1988 by Mr. Ram Saran Mittal, Mr. Sanjeev Mittal, Mr. Nikunj Mittal and Ms. Akanksha Mittal. The company is a part of the Atul Group of Companies. APPL is engaged in manufacturing PVC pipes, coolers, water tanks and fitting pipes. The company has manufacturing capacity of 11400 MT of PVC pipe and fittings, 90000 Nos of plastic cooler and 54000 Nos of cooler. The company exports to EU countries as well.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

APPL was established in 1988 by Mr. Ram Saran Mittal Mr. Sanjeev Mittal Mr. Nikunj Mittal and Ms. Akanksha Mittal. The director of the company has over three decades of experience in aforementioned line of business.

- **Comfortable Working Capital nature of operations**

APPL has comfortable working capital operations marked by comfortable Gross Current Asset (GCA) of 186 days in FY2017 compared to 105 days in FY2016. The GCA days are mainly dominated by high inventory days of 71 days in FY2017 compared to 59 days in FY2016. The working capital limits were utilized at around 90 percent for the past six months. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Average financial risk profile**

APPL has an average financial risk profile marked by tangible net worth of Rs. 14.50 crore as on 31st March 2017 as against Rs. 1.68 crore as on 31st March 2016. The networth has increased on account of amalgamation of the financial lending business with APPL which brought in fresh capital infusion for the company of Rs. 13.00 crore. The gearing stood relatively low at 0.58 times as on 31st March 2017 as against 5.45 times as on 31st March 2016. The debt of Rs. 8.37 crore mainly consists of term loans of Rs. 1.21 crore and working capital borrowings of Rs. 5.87 crore as on 31 March 2017. Interest Coverage Ratio (ICR) stood at 4.52 times for FY 2017 as against 2.06 times in FY2016. Debt Service Coverage Ratio (DSCR) stood at 1.52 times for FY 2017 as against 1.41times in FY2016.

Weaknesses

- **Competitive and fragmented industry**

The plastic industry faces intense competition in the Indian markets from various organized and unorganized players. Hence the business is very competitive because of wide availability of players. This indicates an intense price war among the players.

- **Volatility in prices of raw materials and foreign exchange fluctuation risk**

APPL sources 80 percent of its raw material locally and imports the remaining 20 percent. The raw materials required for production are subject to volatility in their prices due to high demand in the market. Also the company is exposed to foreign exchange fluctuation risk.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of APPL to arrive at the ratings.

Outlook: Stable

SMERA believes that APPL will maintain a Stable profile over medium term on the back of its established operational track record along with experienced management. The outlook may be revised to 'Positive' in case the company achieves better cash accruals or improved financial risk profile. Conversely the outlook may be revised to 'Negative' in case of high working capital requirements increasing the pressure on margins or deterioration in company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	38.82	28.73	29.26
EBITDA	Rs. Cr.	1.93	1.85	1.71
PAT	Rs. Cr.	0.15	0.03	0.04
EBITDA Margin	(%)	4.98	6.45	5.84
PAT Margin	(%)	0.38	0.10	0.14
ROCE	(%)	4.08	8.41	15.99
Total Debt/Tangible Net Worth	Times	0.58	5.45	5.93
PBDIT/Interest	Times	4.52	2.06	1.97
Total Debt/PBDIT	Times	4.35	4.87	5.82
Gross Current Assets (Days)	Days	186	105	115

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

None

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Rating History (Upto 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. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.53	SMERA BB- / Stable
Term loans	Not Applicable	Not	Not	0.51	SMERA BB- / Stable

		Applicable	Applicable		
Term loans	Not Applicable	Not Applicable	Not Applicable	2.02	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.29	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.54	SMERA BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB- / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.11	SMERA BB- / Stable

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ABOUT SMERA

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