

Press Release

The Aarko Pipe Gram Udyog Regd

May 23, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs.7.78 Cr.
Long Term Rating	SMERA B/ Outlook:Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned the long term rating of '**SMERA B**' (read as **SMERA B**) and the short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.7.78 crore bank facilities of The Arko Pipe Gram Udyog Regd (APGU). The outlook is '**Stable**'.

The Aarko Pipe Gram Udyog Regd was established in the year 2002. It is an association of persons which consists of Mr. Srijal Kohli (President), Ms. Vijay Lakshmi Kohli, Mr. Kamal Kohli, Ms. Bindu Kohli and Ms. Meera Kohli. The society is mainly engaged in manufacturing of cast iron pipes and wires. The society is mainly catering to local market in Jalandhar area.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The experienced management includes Mr. Srijal Kohli (President), Ms. Vijay Lakshmi Kohli, Mr. Kamal Kohli, Ms. Bindu Kohli and Ms. Meera Kohli. The management is having over a decade of experience in the same line of business. Further, the society was established in the year 2002. Hence, long track record of operations has helped the society to establish healthy relationships with the customers.

Weaknesses

- Working capital intensive nature of operations**

The entity has working capital intensive nature of operations marked by Gross Current Days (GCA) of 135 days as on 31st March 2017 as against 129 days in the previous year. The inventory days stood at 53 days as on 31st March 2017 as against 65 days in the previous year. The debtor days stood at 64 days as on 31st March 2017 as against 62 days in the previous year.

- Weak financial risk profile**

The firm is having weak financial risk profile marked by low network, high gearing and low debt protection measures. The network stood at Rs.1.25 crore as on 31st March 2017 as against Rs.1.15 crore in the previous year. The gearing stood at 4.85 times as on 31st March 2017 as against 4.47 times in the previous year. The total debt of Rs.6.07 crore consists of long term loans of Rs.0.46 crore, unsecured loans of Rs.2.99 crore and short term debt of Rs.2.62 crores. The interest coverage ratio stood at 1.78 times in FY2017 as against 1.76 times in FY2016. The DSCR stood at 1.78 times in FY2017 as against 1.73 times in the previous year.

• **Fragmented and competitive nature of business**

The firm is operating in highly fragmented industry dominated by organized and unorganized players, hence hindering its bargaining power.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that outlook for APGU will remain stable over medium term backed by its long track record of operations. The outlook may be revised to Positive if the company achieves higher than expected revenue while maintaining profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to Negative in case of significant deterioration in the liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	18.18	12.99	11.83
EBITDA	Rs. Cr.	1.14	0.99	0.74
PAT	Rs. Cr.	0.12	0.09	0.08
EBITDA Margin	(%)	6.25	7.61	6.26
PAT Margin	(%)	0.66	0.66	0.69
ROCE	(%)	11.29	11.17	16.02
Total Debt/Tangible Net Worth	Times	4.85	4.47	4.33
PBDIT/Interest	Times	1.78	1.76	2.17
Total Debt/PBDIT	Times	5.28	5.13	5.87
Gross Current Assets (Days)	Days	135	129	165

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

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

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 Loan I	Not Applicable	Not Applicable	Not Applicable	0.90	SMERA B/ Stable (Assigned)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	0.37	SMERA B/ Stable (Assigned)
Long Term (Proposed)	Not Applicable	Not Applicable	Not Applicable	3.40	SMERA B/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA B/ Stable (Assigned)
Inland Bills Discounting	Not Applicable	Not Applicable	Not Applicable	0.35	SMERA A4 (Assigned)
Inland Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.26	SMERA A4 (Assigned)

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in</p> <p>Deep Majumder Analyst - Rating Operations Tel: 022-67141147 deep.majumder@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: *A SMERA 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. SMERA ratings 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA ratings 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.smera.in) for the latest information on any instrument rated by SMERA.*

