

Press Release

AA Vasani Poly Pipe LLP

December 10, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.45 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) to the Rs. 6.45 crore bank facilities of AA Vasani Poly Pipe LLP (AA Vasani). The outlook is '**Stable**'.

AA Vasani (part of Vasani Group), a Gujarat-based firm was established in 2017 by promoters, Mrs. Chetna Pravin Patel and Mrs. Renuka Kishor Kevadiya, is engaged in the manufacturing of double wall corrugated (DWC) pipes mainly used for drainage works of various sizes ranging from 90mm to 400mm with pressure capacity of 0.5 KPa to 10 KPa (KiloPascal) at Talod (Gujarat). The installed capacity stands at 8,000 MTPA. Mr. Pravin Patel manages the operations of the firm. The products are sold under the brand name 'Vasani'.

About the Group

The Gujarat-based, Vasani group was established in 2010 by Mr. Pravin Patel and Mr. Mahesh Patel. The group is engaged in manufacturing of PVC pipes and is also a registered AA contractor for the Roads and Building Department for the Government of Gujarat and undertakes installation of pipes and civil contract for irrigation and water distribution, among others.

Analytical Approach

Acuité has considered the consolidation of business and financial profiles of Vasani Polymers Private Limited and AA Vasani Poly Pipe LLP together known as 'Vasani Group'. The consolidation is due to common management and similar line of business. Extent of Consolidation : Full

Key Rating Drivers

Strengths

• Experienced management

The promoters possess experience of 5 years in the same line of business. Mr. Pravin Kumar (husband of the promoter Mrs. Chetna Pravin Patel) manages the operations of the firm and is also the Director of the group company (Vasani Polymers Private Limited). AA Vasani has a group company named Vasani Polymers Private Limited which is engaged in manufacturing of pipes (including PVC, SWR, column, casing) of various sizes ranging from 20mm to 400mm.

Weaknesses

• Debt funded capital expenditure

The total project cost of AA Vasani is Rs.8.20 crore which is financed through a term loan of Rs.4.45 crore, working capital of Rs.2.00 crore and promoters funds of Rs.1.75 crore. The operations of the firm started from June 2018 and have booked revenue of Rs.3.000 crore for the period June to November, 2018. The firm has current order book of Rs.4.00 crore to be executed by January, 2019.

Acuité believes that the firm's ability to generate cash accruals over the medium term would be a key sensitivity factor.

• Nascent stage of operations

AA Vasani started its operations from June 2018. It is in its initial stage of operations and yet to demonstrate its performance. Acuité believes that the operations of the firm are at a very nascent

stage and the firm's ability to optimally utilise its capacity to generate cash flows to meet their outstanding debt obligations would be key sensitivity factor.

Outlook: Stable

Acuite believes that the firm will maintain 'Stable' business risk profile on account of the management's vast experience in the pipe industry. The outlook may be revised to 'Positive' in case of optimal utilisation of capacity leading to improvement in revenues and accruals. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in scale of operations.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	117.83	112.97	96.15
EBITDA	Rs. Cr.	4.44	3.42	4.41
PAT	Rs. Cr.	1.58	1.19	1.68
EBITDA Margin	(%)	3.77	3.02	4.58
PAT Margin	(%)	1.34	1.05	1.75
ROCE	(%)	15.09	13.37	18.25
Total Debt/Tangible Net Worth	Times	0.58	0.74	0.84
PBDIT/Interest	Times	2.49	2.81	2.26
Total Debt/PBDIT	Times	2.02	2.67	1.97
Gross Current Assets (Days)	Days	94	70	65

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

None

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>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	4.45	ACUITE BB / Stable

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Grishma Muni Analyst - Rating Operations Tel: 02249294075 grishma.muni@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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