

Press Release

Sushila Parmar International Private Limited

June 04, 2021

Rating Reaffirmed and Assigned, Outlook Revised; Withdrawn



Total Bank Facilities Rated*	Rs. 440.00 Cr. (Increased from Rs. 295.00 Cr.)
Long Term Rating	ACUITE A-; Outlook:Positive (Reaffirmed and Assigned; Withdrawn; Outlook revised to Positive from Stable)
Short Term Rating	ACUITE A2+ (Reaffirmed and Assigned; Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 286.48 crore bank facilities of Sushila Parmar International Private Limited (SIPL). Also, Acuite has assigned the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.153.52 crores bank facility. The outlook is revised to '**Positive**' from '**Stable**'.

Further, on the request of the company and NOC received from the banker, Acuite has also withdrawn the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on previously rated Rs. 20.94 crores bank facility in accordance with Acuite withdrawal policy.

Revision in Outlook

The revision in the outlook factors in the company's demonstrated ability to sustain its growth momentum in dynamic business environment while maintaining comfortable working capital cycle. The company has registered growth in revenues, margins, net cash accruals and improvement in overall financial risk profile. The ratings also draw comfort from establish and wide distribution network, longstanding relationship with its customer and suppliers along with improved coverage indicators.

The operating income of the company stood improved at Rs. 1,190.67 crores in FY2021 as against Rs. 941.90 crores in FY2020 on back of healthy order execution in Q4FY2021. Also, EBITDA margins stood improved at 8.27 percent in FY2021 as against 1.59 percent in FY2020 due to decline in raw material cost to 88.71 percent in FY2021 as against 97.00 percent in FY2020. The company has banked on its establish longstanding relationship with customers and suppliers to reap benefits from uncertain business environment. The net profit margins also stood improved at 5.77 percent in FY2021 as against 0.66 percent in FY2020, resultant from significant improvement in operating margins. The growth is on account of healthy volume offtake and expansion into new territories.

About Company

Sushila Parmar International Private Limited (SIPL), is based of Pune, Maharashtra, was establish as a proprietary concern in 2002 and reconstituted as private limited company in March 2010. The company is promoted by Mr. Rohit Parmar. SIPL primarily trades in PVC resin, followed by Chlorinated polyvinyl chloride (CPVC). It is also registered Del Credere Associate - cum - consignment stockiest for ONGC Petro additions Limited (OPaL). OPaL's business is getting added to revenues as commission income and contributes around 10-15 percent of the total earnings of the company. The company has established distribution network for PVC resin business with pan India presence and caters to customers across the most remote places in India. Its diversified customer base includes mid-sized PVC pipe manufacturers and other manufacturers using PVC as raw material and SME industries across India.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Sushila Parmar International Private Limited (SIPL) while arriving at the rating.

Key Rating Drivers

Strengths

- **Experienced management and establish track record of operations**

SIPL has establish presence of over a decade in PVC, CPVC trading industry since 2002. The key promotor Mr. Rohit Parmar has more than two decades of experience in the same line of business. The extensive experience of key promoter and established presence in the industry has helped company in developing longstanding relationships with its customers and suppliers. The same is reflected through improvement in scale of operations and stable business risk profile. The revenues have grown at a compounded annual growth rate of 17.02 percent over the last five years through FY2021. Further, the company is well supported by second line of management. Acuite believes the company will continue to be benefited from extensive experience of promoters, establish presence, increasing demand, lower prices of imports as compared to domestic manufacturer's, and lack of domestic manufacturing capacity vis-a-vis demand over near to medium term.

- **Established distribution network, diversified customer base and efficient working capital cycle**

The company has wide distribution network with 10 strategically located warehouses and port establishments with pan-India presence. It has five major warehouses in the port areas of Nhava Sheva, Kolkata, Chennai, Mundra and Pipavav (Gujarat), while the other warehouses are located in New Delhi (catering to North Indian market), Indore (Madhya Pradesh), Daman (Gujarat), and Pune and Kolhapur (Maharashtra, OPaL warehouses). Further, the company has customers across the most remote places in India and reaching over 395 locations in 24 states. SIPL uses its widespread port establishments to route shipment towards the required region of demand, efficiently managing its inventory and fulfilling customer orders.

The operations of SIPL are efficiently managed as reflected in comfortable working capital cycle marked by Gross Current Assets (GCA) of 96 days in FY2021 and FY2020. This receivable period stood at 23 days in FY2021 and 29 days in FY2020. The inventory holding period stood at 69 days in FY2021 as against 52 days in FY2020 (Including goods in transit). The payable period has increased to 111 days in FY2021 as compared to 102 days in FY2020. However, the average non fund based bank limit utilisation stood full for the last six months ended April 2021. The company has also availed 100 percent margin back non fund base facility to manage incremental working capital requirements. Acuite believes that, the company's ability to sustain growth in its operations while managing its working capital cycle and reducing its dependence on external borrowings will remain a key rating sensitivity.

- **Healthy Financial Risk Profile**

The financial risk profile of the company is marked by healthy net worth, comfortable gearing and debt protection metrics. The net worth of the company stood healthy at Rs. 126.63 crore in FY2021 as compared to Rs. 57.86 crore in FY2020. This improvement in net worth is mainly due to healthy accretion to reserve, which in turn is a result of improvement in its scale of operations. The gearing of the company stood comfortable at 0.24 times as on March 31, 2021 as against 0.27 times as on March 31, 2020. The total debt of Rs. 30.77 crore consists of long-term debt of Rs.2.59 crore and short term debt of Rs.28.18 crore as on March 31, 2021. The Interest coverage ratio (ICR) stood improved at 15.79 times as on March 31, 2021 as 2.43 times in as on March 31, 2020. The debt service coverage ratio (DSCR) stood healthy at 11.75 times as on March 31, 2021 as against of 2.07 times as on March 31, 2020. The net cash accrual against total debt (NCA/TD) stood at 2.26 times in FY2021 as compared to 0.43 times in previous year. However, TOL/TNW stood high at 3.05 times in FY2021 and 4.79 times in FY2020. Total Outside Liabilities majorly consist of trade payables which are backed by LC upto 180 days.

Acuite believes the financial risk profile of the company will remain healthy on account of establish presence in the industry, expected improvement in scale of operations, and efficient working capital management.

Weaknesses

• Susceptibility of margins to volatility in raw material prices and forex risk

The operating profitability remains susceptible to volatility in the price of key raw material, PVC resin, which is linked to petrochemical prices and its raw materials. PVC resin accounts for majority of total cost and most of the raw material required for trading is imported, inventory related risks persist. The ability of company to pass on such price fluctuations to its customer remains key challenge in maintaining stable margins. Moreover, intense competition from other players in industry continues to constrain the business risk profile. Further, company is also exposed to forex fluctuation risk as it imports 50% of its raw materials. However, it has adequate cover in place to cover such forex fluctuation risk and margins are expected to remain at moderate level of 1.50 to 2.00 percent going ahead.

• Cash flows susceptible to economic slowdown and sluggish demand in end user industry

SIPL's operations can be impacted by any further economic slowdown, sluggish demand and ongoing second wave of pandemic. Furthermore, end user industry like Infrastructure, construction, packaging and real estate is currently facing slowdown due to close down of economic activities having impact on operations of company. The revival of demand in these sectors and realisation in receivables may take longer than expected. In event of prolonged economic slowdown regular flow of orders and operating performance of players like SIPL may get impacted. Also, competition in the industry from organized as well as midsize regional traders along with low entry barriers, further constrained by limited product portfolio and low value addition. However, company majorly caters to agriculture and irrigation sector which is expected to be relatively insulated from the current disruption in business environment.

Liquidity Position: Adequate

The liquidity profile of the company stood comfortable marked by net cash accruals of Rs. 69.42 crores against repayment obligation of Rs. 0.16 crores for FY2021. The repayment obligations are expected to be at Rs.0.20 to Rs.0.50 crores for FY2022-24 as against net cash accruals of Rs.6.50-9.00 crores. The current ratio stood at 1.35 times (Actual) and 1.22 times (including contingent liability in form of outstanding LC) as on March 31, 2021. The company maintains cash and bank balance of Rs. 4.90 crores as on March 31, 2021. The NCA/TD ratio stood at 2.26 times as on March 31, 2021 as against 0.43 times March 31, 2020. The DSCR ratio stood at 11.75 times as on March 31, 2021 and Gross Current Assets (GCA) days stood comfortable at 96 days in FY2021 and FY2020.

Rating Sensitivities

- Sustaining existing scale of operations and profitability
- Efficient management of working capital cycle and liquidity profile
- Higher than expected reliance on working capital limits resulting in deterioration in financial risk profile.

Outlook: Positive

Acuite believes that the company will continue to benefit over the medium term from its management's extensive experience and established position in PVC, CPVC trading industry. The revision in outlook factors in Improvement in scale of operations, absolute margins and net cash accruals. Also, draws comfort from its establish presence, market reach and favorable industry prospects. The outlook will be revised to 'Stable' in case of company is not able to meet expected growth in terms of revenues and decline in profitability margins is observed, or significant deterioration in its capital structure most likely because of a stretch in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY21 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	1190.67	941.90
PAT	Rs. Cr.	68.75	6.24
PAT Margin	(%)	5.77	0.66
Total Debt/Tangible Net Worth	Times	0.24	0.27
PBDIT/Interest	Times	15.79	2.43

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

Not Applicable

Any other information

Not Applicable

Any Material Covenants

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.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
20-May-2020	Letter of Credit	Short Term	20.00	ACUITE A2+ (Assigned)
	Secured Overdraft	Long Term	0.14	ACUITE A- / Stable (Assigned)
	Letter of Credit	Short Term	33.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	0.35	ACUITE A- / Stable (Assigned)
	Secured Overdraft	Long Term	2.36	ACUITE A- / Stable (Assigned)
	Letter of Credit	Short Term	33.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	29.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	0.35	ACUITE A- / Stable (Assigned)
	Cash Credit	Long Term	0.80	ACUITE A- / Stable (Assigned)
	Inventory Funding	Long Term	30.00	ACUITE A- / Stable (Assigned)
	Secured Overdraft	Long Term	0.14	ACUITE A- / Stable (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	0.80	ACUITE A- / Stable (Assigned)
	Inventory Funding	Long Term	30.00	ACUITE A- / Stable (Assigned)
	Bank Guarantee	Short Term	8.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	85.00	ACUITE A2+ (Assigned)
	Secured Overdraft	Long Term	2.36	ACUITE A- / Stable (Assigned)
	Bank Guarantee	Short Term	8.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	85.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	29.00	ACUITE A2+ (Assigned)

	Letter of Credit	Short Term	85.00	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	1.35	ACUITE A- / Stable (Assigned)
	Cash Credit	Long Term	1.35	ACUITE A- / Stable (Assigned)
	Letter of Credit	Short Term	85.00	ACUITE A2+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	CouponRate	MaturityDate	Size of the Issue(Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.55 (reduced from 2.36)	ACUITE A-/Positive (Reaffirmed & outlook revised)
Overdraft	Not Applicable	Not Applicable	Not Applicable	0.94 (reduced from 2.36)	ACUITE A-/Positive (Reaffirmed & outlook revised)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE A- (Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.14	ACUITE A-/Positive (Reaffirmed & outlook revised)
Overdraft	Not Applicable	Not Applicable	Not Applicable	0.14	ACUITE A- (Withdrawn)
Inventory Funding	Not Applicable	Not Applicable	Not Applicable	25.00 (reduced from 35.00)	ACUITE A-/Positive (Reaffirmed & outlook revised)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	84.85*	ACUITE A2+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	85.00**	ACUITE A2+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	33.00^	ACUITE A2+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	38.50@	ACUITE A2+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	18.50	ACUITE A2+ (Reaffirmed)
Proposed long-term Bank Facility	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE A-/Positive (Assigned)
Proposed Short term Bank Facility	Not Applicable	Not Applicable	Not Applicable	93.52	ACUITE A2+ (Assigned)

*ILC/FLC with Usance of 180 days of Rs.130.00 Cr., Back to Back LC of Rs.5.50 Cr. and Bank Guarantee of Rs. 2.40 Cr.

@Bank guarantee is now sub limit of LC for Rs.8.00 crores

**ILC/FLC, Sight/DA Usance 90/180 days/Usance Payable at Sight, Rs.5.50 Cr. back to back LC, and Bank Guarantee of Rs. 1.50 Cr.

^Back to Back LC of Rs.2.00 Cr.

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About Acuité Ratings & Research:

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