

Press Release

Sushila Parmar International Private Limited

February 25, 2022



Rating Reaffirmed and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	33.00	-	ACUITE A2+ Reaffirmed & Withdrawn
Bank Loan Ratings	361.85	-	ACUITE A2+ Reaffirmed
Bank Loan Ratings	78.15	ACUITE A- Positive Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	440.00	-	-
Total Withdrawn Quantum (Rs. Cr)	33.00	-	-

Rating Rationale

Acuité 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. 440.00 Cr bank facilities of Sushila Parmar International Private Limited (SIPL). The outlook is 'Positive'. Further, on the request of the company and NOC received from the banker, Acuité has withdrawn the short term rating of '**ACUITE A2+**' (read as ACUITE A two plus) on previously rated Rs. 33.00 Cr bank facility in accordance with Acuité withdrawal policy.

Rationale for reaffirmation

The rating reaffirmation 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, long standing relationship with its customers 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. Further, the revenue of the company for the ten month period ended on January 2022 stood at Rs. 1,324.61 Cr. 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 the Company

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

Acuité has considered the standalone business and financial risk profile of SIPL while arriving at the rating.

Key Rating Drivers

Strengths

- Experienced management and established track record of operations:**

SIPL has established 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 the key promoter and established presence in the industry has helped company in developing long standing relationship 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.

Acuité believes the company will continue to benefit from the extensive experience of the promotor, established 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 limits was fully utilized for the last ten months ended January 2022. The company has also availed 100 percent margin back non fund base facility to manage incremental working capital requirements.

Acuité 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.

Acuité 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.

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.

Material covenants

None.

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.

Outlook: Positive

Acuité 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 it's 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (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)

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.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
04 Jun 2021	Cash Credit	Long Term	0.55	ACUITE A- Positive (Reaffirmed)
	Letter of Credit	Short Term	85.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	33.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	0.14	ACUITE A- Positive (Reaffirmed)
	Letter of Credit	Short Term	38.50	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	84.85	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Withdrawn)
	Cash Credit	Long Term	0.80	ACUITE A- (Withdrawn)
	Letter of Credit	Short Term	18.50	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Short Term	93.52	ACUITE A2+ (Assigned)
	Secured Overdraft	Long Term	0.14	ACUITE A- (Withdrawn)
	Secured Overdraft	Long Term	0.94	ACUITE A- Positive (Reaffirmed)
	Inventory Funding	Long Term	25.00	ACUITE A- Positive (Reaffirmed)
	Proposed Bank Facility	Long Term	60.00	ACUITE A- Positive (Assigned)
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	Term	0.80	(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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.55	ACUITE A- Positive Reaffirmed
IDFC First Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE A- Positive Reaffirmed
State Bank of Mauritius Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A- Positive Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Positive Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Positive Reaffirmed
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A- Positive Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	84.85	ACUITE A2+ Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	85.00	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A2+ Reaffirmed
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A2+ Reaffirmed
Federal Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A2+ Reaffirmed
IDFC First Bank Limited	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	38.50	ACUITE A2+ Reaffirmed
State Bank of Mauritius Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	23.50	ACUITE A2+ Reaffirmed
Bank of Maharashtra	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE A2+ Reaffirmed & Withdrawn
Canara	Not	Overdraft	Not	Not	Not	0.94	ACUITE A- Positive

Bank	Applicable		Applicable	Applicable	Applicable		
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.16	Reaffirmed ACUITE A- Positive Reaffirmed

Canara Bank: Overdraft (OD) includes Working Capital Demand Loan (WCDL) as sublimit and Letter of credit (LC) includes sublimit of Rs. 52.00 Cr as Import Letter of Credit (ILC)/Foreign Letter of Credit (FLC) and Rs. 2.40 Cr as Bank Guarantee (BG).

Bank of Baroda: LC includes sublimit of Rs. 5.50 Cr as back to back LC and Rs. 1.50 Cr as BG.

IDFC First Bank: LC includes sublimit of Rs. 8.00 Cr as BG.

State Bank of Mauritius Ltd: LC includes sublimit of Rs. 10.00 Cr as Stand by LC (SLC).

HDFC Bank: LC includes sublimit of Rs. 15.00 Cr as Drop line overdraft (DRUL) pre acceptance and Rs. 20.00 Cr as SLC.

Indusind Bank: Cash Credit (CC) includes WCDL as sublimit and LC includes SLC as sublimit.

Federal Bank: LC includes sublimit of Rs. 10.00 Cr as WCDL and Rs. 10.00 Cr as CC.

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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.

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