

## Press Release

Sushila Parmar International Private Limited

January 03, 2023



### Rating Assigned, Reaffirmed and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE A-   Reaffirmed & Withdrawn	-
Bank Loan Ratings	90.65	ACUITE A-   Stable   Reaffirmed   Positive to Stable	-
Bank Loan Ratings	50.00	-	ACUITE A2+   Assigned
Bank Loan Ratings	349.35	-	ACUITE A2+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	490.00	-	-
Total Withdrawn Quantum (Rs. Cr)	25.00	-	-

### 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. 440.00 Cr bank facilities of Sushila Parmar International Private Limited (SPIPL). The outlook is revised to '**Stable**'.

Additionally, Acuite has assigned the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 50.00 Cr proposed bank facilities of SPIPL.

Further, on the request of the company and NOC received from the banker, Acuite has withdrawn the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) on previously rated Rs. 25.00 Cr bank facility of SPIPL in accordance with Acuite withdrawal policy.

### Rationale revision in outlook

The revision in outlook to stable from 'positive' to 'stable' is on account of lower-than-anticipated profitability levels. The company has underperformed on the profitability margins against its own projections and Acuite's expectation. The decline in profitability is attributable to higher costs which the company could not pass on to the end customers. Further, the company has plans to increase its short term debt to Rs. 90 Cr in the coming 2 years which is expected to impact its financial risk profile albeit marginally over the medium term.

### About Company

SPIPL, 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. SPIPL 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 earlier used to gett added to revenues as commission income and contributed around 10-15 percent of the total earnings of the company. However from FY2023 onwards, company has directly started selling the above

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products. 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**

#### **Extent of Consolidation**

- Full Consolidation

#### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has considered the consolidated business and financial risk profile of SPIPL and SAR Overseas Ltd (SAROL) while arriving at the rating.

### **Key Rating Drivers**

#### **Strengths**

##### **Experienced management, established track record of operations and wide distribution network**

SPIPL has established presence of over a decade in PVC, CPVC trading industry since 2002. The key promoter 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 around 21.54 percent over the last three years through FY2022. Further, the company is well supported by second line of management. Additionally, 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. SPIPL uses its widespread port establishments to route shipment towards the required region of demand, efficiently managing its inventory and fulfilling customer orders.

Acuité believes the company will continue to benefit from the extensive experience of the promoters, and established business presence, in the near to medium term.

##### **Healthy operating cycle and 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. 146.56 crore as on March 31, 2022 against Rs. 127.60 crore as on March 31, 2021 and Rs. 57.88 crore during FY2020. This improvement in net worth is mainly due to significant accretion to reserves during FY2021, which was a result of improvement in its operating profits due to benefit from low raw material cost. The company had reported EBITDA margins of around 8.13 percent in FY2021 against 1.37 percent in FY2020. The margins have been corrected at 1.58 percent in FY2022 with stabilization in prices. The gearing of the company stood comfortable at 0.20 times as on March 31, 2022 as against 0.27 times as on March 31, 2021. The total debt of Rs. 28.65 crore entirely consists of short term debt and SPIPL has paid off its long term debt as on March 31, 2022. The Interest coverage ratio (ICR) stood at 9.21 times in FY2022 as against 15.83 times in FY2021. The debt service coverage ratio (DSCR) stood at 6.91 times in FY2022 as against of 12.16 times in FY2021. Further, the working capital cycle operations of SPIPL are comfortable marked by Gross Current Assets (GCA) of 53 days in and 48 days in FY2022 and FY2021. The receivable period stood at 23 days in FY2022 and 20 days in FY2021. The inventory holding period stood at 20 days in FY2022 as against 22 days in FY2021. The payable period has decreased to 53 days in FY2022 as compared to 66 days in FY2021. However, the average non fund based bank limits was utilized at around 87% for the last six months ended November 2022.

Acuité believes the financial risk profile of the company will remain healthy although marginal deterioration in the same is expected in the next 2 years as company plans for additions to its short term debt for its overseas entity.

## **Weaknesses**

### **Low operating margins susceptible towards volatility in raw material prices**

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. For FY2021 the EBITDA margins stood at around 8.13 percent due to lower cost of raw materials while the margins were corrected during FY2022 and stood at 1.58 percent against the company projections of more than 2 percent.

Moreover, company's trading nature of business and intense competition from other players continues to constrain the business risk profile putting pressure on pricing resulting in moderate operating margins. 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 1.65 percent going ahead.

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

SPIPL's operations can be impacted by any economic slowdown, and sluggish demand in the end user industry like Infrastructure, construction, packaging and real estate. In the event of prolonged economic slowdown regular flow of orders and operating performance of players like SPIPL 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, SPIPL's wide network distribution mitigates the entry barrier risk to some extent.

## **Rating Sensitivities**

- Sustaining existing scale of operations along with sustaining 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. 19.88 crores against no repayment obligations as the company currently does not have any long term borrowings in bucket. The current ratio stood at 1.01 times as on March 31, 2021. The company maintains cash and bank balance of Rs. 0.15 crores as on March 31, 2022 apart from FDR of around 15.07 Cr. The NCA/TD ratio stood at 0.69 times as on March 31, 2022 as against 2.02 times March 31, 2021. The DSCR ratio stood at 6.91 times as on March 31, 2022 and the fund based and non fund based bank limits have remained utilised at around 62 percent and 88 percent respectively for the 6 months ended November 2022.

## **Outlook: Stable**

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 outlook may be revised to 'Positive' if there is a substantial and significant increase in the company's revenues along with sustained and expected profitability margins. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in profitability margins, or significant deterioration in its capital structure most likely because of a stretch in its working

capital cycle.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	1684.35	1195.60
PAT	Rs. Cr.	19.08	69.68
PAT Margin	(%)	1.13	5.83
Total Debt/Tangible Net Worth	Times	0.20	0.27
PBDIT/Interest	Times	9.21	15.83

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

None

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>

### Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Feb	Cash Credit	Long Term	7.00	ACUITE A-   Positive (Reaffirmed)
	Letter of Credit	Short Term	35.00	ACUITE A2+ (Reaffirmed)
	Secured Overdraft	Long Term	0.94	ACUITE A-   Positive (Reaffirmed)
	Letter of Credit	Short Term	23.50	ACUITE A2+ (Reaffirmed)
	Proposed Bank Facility	Long Term	3.16	ACUITE A-   Positive (Reaffirmed)
	Cash Credit	Long Term	0.55	ACUITE A-   Positive (Reaffirmed)
	Cash Credit	Long Term	21.50	ACUITE A-   Positive (Reaffirmed)
	Letter of Credit	Short Term	38.50	ACUITE A2+ (Reaffirmed)

2022	Cash Credit	Long Term	10.00	ACUITE A-   Positive (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A-   Positive (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	84.85	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	45.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	33.00	ACUITE A2+ (Withdrawn)
	Letter of Credit	Short Term	85.00	ACUITE A2+ (Reaffirmed)
	Inventory Funding	Long Term	25.00	ACUITE A-   Positive (Reaffirmed)
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)
		Long		
	Secured Overdraft	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)
	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)

20 May 2020	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.55	ACUITE A-   Stable   Reaffirmed   Positive to Stable
IDFC First Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	21.50	ACUITE A-   Stable   Reaffirmed   Positive to Stable
State Bank of Mauritius Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A-   Stable   Reaffirmed   Positive to Stable
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A-   Stable   Reaffirmed   Positive to Stable
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A-   Stable   Reaffirmed   Positive to Stable
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A-   Stable   Reaffirmed   Positive to Stable
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A-   Stable   Reaffirmed & Withdrawn
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	84.85	ACUITE A2+   Reaffirmed
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	85.00	ACUITE A2+   Reaffirmed
IDFC First Bank Limited	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	38.50	ACUITE A2+   Reaffirmed
State Bank of Mauritius Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	23.50	ACUITE A2+   Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A2+   Reaffirmed
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Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	A2+   Reaffirmed
Federal Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	32.50	ACUITE A2+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	30.66	ACUITE A-   Stable   Reaffirmed   Positive to Stable
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A2+   Assigned
Canara Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	0.94	ACUITE A-   Stable   Reaffirmed   Positive to Stable



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### About Acuité Ratings & Research

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