



Press Release
Sushila Parmar International Private Limited
March 15, 2024
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	117.75	ACUITE BBB+ Negative Downgraded Stable to Negative	-
Bank Loan Ratings	372.25	-	ACUITE A2 Downgraded
Total Outstanding Quantum (Rs. Cr)	490.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE A-**' (read as **ACUITE A minus**) and the short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 490.00 Cr. bank facilities of Sushila Parmar International Private Limited (SPIPL). The outlook is revised from 'Stable' to '**Negative**'.

Rationale for the rating

The rating downgrade and change in the outlook to Negative factors in the significant moderation of the company's financial risk profile in FY2023 and Q1FY2024 led by the inventory losses due to steep decline in realisations of PVC and other products, following heavy dumping by China. The company reported net losses of Rs. 39.41 Cr. in FY2023 which resulted in the deterioration in the net worth to Rs.106.32 Cr. as on March 31, 2023 from 146.56 Cr. as on March 31, 2022 along with the weakening of its debt protection metrics. The rating however, draws comfort from establish and wide distribution network, long standing relationship with its customers and suppliers which has resulted in revenue growth with an uptick in the sales volume. Further, the company has reported profits in Q2FY2024 and Q3FY2024 (provisional) mainly with a change in inventory holding policy to order-backed along with a fixed price contract that insulates it against the price volatility. Though the cashflows remains susceptible to the sluggish demand in end user industry.

About Company

Based of Pune, Maharashtra, Sushila Parmar International Private Limited (SPIPL), was established 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 other petrochemical products like Chlorinated polyvinyl chloride (CPVC), HDPE, LLDPE etc. It is engaged in trading of PVC resins and CPVC). For other products, It was a registered Del Credere Associate - cum - consignment stockiest for ONGC Petro additions Limited (OPaL) earlier and used to earn commission income. However from FY2023 onwards, company has directly started selling the above 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.

Unsupported Rating

Not applicable

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 promotor Mr. Rohit Parmar has more than two decades of experience in the same line of business. The extensive experience of the key promotor and established presence in the industry has helped company in developing long standing relationship with its customers and suppliers. Further, the company is well supported by second line of management. The same is reflected through improvement in scale of operations which has grown at a CAGR of 38% during last three years from Rs.1195.60 Cr in FY2021 to Rs. 2290.47 Cr in FY2023. 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 promotors, and established business presence, in the near to medium term.

Revenue growth albeit inventory losses in FY23

The scale of operations of the company have increased to Rs. 2290.84 crore in FY23 registering a 36% growth from Rs. 1684.35 Cr in FY2022 on a consolidated level. The company sold around 2,27,470 MT quantity in FY2023 against 1,25,331MT in FY2022 marking an 81% increase in the volumes. The growth in volumes was moderated by decline in the average sales realisation mostly that of PVC, PE and PP that exhibited a 39 to 48% decline as compared to previous fiscal. Further, the company reported revenues of Rs. 1922.84 crore in 9M FY2024 mainly contributed by the increased volumes. The company is expected to report ~Rs.2400-2500 crore in FY24. Notwithstanding, the growth in the revenues, the company witnessed a decline in the profitability in FY23 and Q1FY24 due to the inventory losses emanating from the sharp decline in the polyvinyl chloride (PVC) prices. Though, the company's margins recovered from Q2FY2024 as per provisional financials.

Weaknesses

Moderation in financial risk profile; operating cycle remains low

The financial risk profile of the company has moderated in FY2023 and Q1FY2024 led by the inventory losses due to steep decline in realisations of PVC and other products, following heavy dumping by China. The company reported net losses of Rs. 39.41 Cr. in FY2023 which

resulted in the weakening of its debt protection metrics and the deterioration in the net worth to Rs.106.32 Cr. as on March 31, 2023 from 146.56 Cr. as on March 31, 2022. The gearing of the company though increased stood comfortable at 0.75 times as on March 31, 2023 as the company mostly utilises the letter of credit for purchases. The total debt of Rs. 79.53 crore entirely consists of short-term debt and the company doesn't have any long-term dues. Further, the working capital cycle of SPIPL is comfortable marked by Gross Current Assets (GCA) of 39 days as on March 31, 2023 declined from 56 days as on March 31, 2022 due to reduction in inventory and debtor days. However, the average non fund-based bank limits was utilized at around 85.5% for the last 11 months ended November 2023.

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. In the FY2023, the company has reported operating and net losses mainly on account of decline in the domestic prices in India. The company remains 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. From Q1FY24, the company has changed its business model from being inventory led business to order-backed model. In order backed model, the company takes the advance orders from their clients on a fixed price resulting in a holding inventory on old prices, this will mitigate the losses that occur due to the price fluctuation on holding stocks, if any during the voyage period. In 9MFY2024, the company reported an operating margin of 1.2% (provisional financials). Although, the interest cost in the current fiscal remains high due to increase in the debt in the subsidiary company which has moderated the key coverage ratios.

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 the improvement in the profitability and the overall financial risk profile
- Higher than expected reliance on working capital limits or any further losses resulting in further deterioration in the financial risk profile

Liquidity Position Adequate

The liquidity position remains adequate marked by cash bank balance of ₹18.35 crore as on November 2023 end and the average GCA days has improved to 39 days during FY23 compared with 56 days during the previous year. The company reported net cash accruals of Rs. 6.92 crore during 9MFY24 and the company holds no term debt obligations. Further, there remains a buffer in the bank limits with the average utilisation of around 26.5% and maximum utilisation at 55% during the last 12 months from January to December 2023. However, the company has around 85.5% of NFB limits utilized for the last 11

months ended in Nov 2023.

Outlook: Negative

Acuité has revised the outlook on SPIPL to 'Negative' led by the deterioration in the financial risk profile along with a substantial decline in the networth in FY2023. The rating may be 'downgraded' if the company is unable to improve its profitability leading to the further deterioration in the financial risk profile in FY2024. The outlook may be revised to 'Stable' if company is able to improve its profitability while improving its coverage indicators and maintaining its working capital cycle.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	2290.47	1684.35
PAT	Rs. Cr.	(39.41)	19.08
PAT Margin	(%)	(1.72)	1.13
Total Debt/Tangible Net Worth	Times	0.75	0.20
PBDIT/Interest	Times	(4.63)	9.21

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

Not applicable

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 Entitie: <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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Jan 2023	Proposed Long Term Bank Facility	Long Term	30.66	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	0.55	ACUITE A- Stable (Reaffirmed)
	Secured Overdraft	Long Term	0.94	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	21.50	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Reaffirmed)
	Inventory Funding	Long Term	25.00	ACUITE A- Not Applicable (Reaffirmed & Withdrawn)
	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	85.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	38.50	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	23.50	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	32.50	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	35.00	ACUITE A2+ (Reaffirmed)
	25 Feb 2022	Proposed Short Term Bank Facility	Short Term	50.00
Letter of Credit		Short Term	35.00	ACUITE A2+ (Reaffirmed)
Letter of Credit		Short Term	45.00	ACUITE A2+ (Reaffirmed)
Letter of Credit		Short Term	23.50	ACUITE A2+ (Reaffirmed)
Letter of Credit		Short Term	38.50	ACUITE A2+ (Reaffirmed)
Letter of Credit		Short Term	33.00	ACUITE A2+ (Reaffirmed & Withdrawn)
Letter of Credit		Short Term	85.00	ACUITE A2+ (Reaffirmed)
Letter of Credit		Short Term	84.85	ACUITE A2+ (Reaffirmed)
Letter of Credit		Short Term	50.00	ACUITE A2+ (Reaffirmed)
Cash Credit		Long Term	10.00	ACUITE A- Positive (Reaffirmed)
	Long			

	Cash Credit	Term	10.00	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE A- Positive (Reaffirmed)
	Inventory Funding	Long Term	25.00	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	21.50	ACUITE A- Positive (Reaffirmed)
	Secured Overdraft	Long Term	0.94	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	0.55	ACUITE A- Positive (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	3.16	ACUITE A- Positive (Reaffirmed)
04 Jun 2021	Proposed Short Term Bank Facility	Short Term	93.52	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	18.50	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed & Withdrawn)
	Letter of Credit	Short Term	38.50	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	33.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	85.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	84.85	ACUITE A2+ (Reaffirmed)
	Secured Overdraft	Long Term	0.14	ACUITE A- (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	0.80	ACUITE A- (Reaffirmed & Withdrawn)
	Secured Overdraft	Long Term	0.94	ACUITE A- Positive (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	60.00	ACUITE A- Positive (Assigned)
	Inventory Funding	Long Term	25.00	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	0.14	ACUITE A- Positive (Reaffirmed)
	Cash Credit	Long Term	0.55	ACUITE A- Positive (Reaffirmed)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE BBB+ Negative Downgraded Stable to Negative (from ACUITE A-)
IDFC First Bank Limited	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.80	ACUITE BBB+ Negative Downgraded Stable to Negative (from ACUITE A-)
State Bank of Mauritius Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.10	ACUITE BBB+ Negative Downgraded Stable to Negative (from ACUITE A-)
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.30	ACUITE BBB+ Negative Downgraded Stable to Negative (from ACUITE A-)
Federal Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.30	ACUITE BBB+ Negative Downgraded Stable to Negative (from ACUITE A-)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.30	ACUITE BBB+ Negative Downgraded Stable to Negative (from ACUITE A-)
Canara Bank	Not avl. / Not appl.	Channel/Dealer/Vendor Financing	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.20	ACUITE BBB+ Negative Downgraded Stable to Negative (from ACUITE A-)
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.50	ACUITE A2 Downgraded (from ACUITE A2+)

Federal Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.50	ACUITE A2 Downgraded (from ACUITE A2+)
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	74.50	ACUITE A2 Downgraded (from ACUITE A2+)
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	74.60	ACUITE A2 Downgraded (from ACUITE A2+)
IDFC First Bank Limited	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	33.80	ACUITE A2 Downgraded (from ACUITE A2+)
State Bank of Mauritius Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.60	ACUITE A2 Downgraded (from ACUITE A2+)
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	44.00	ACUITE A2 Downgraded (from ACUITE A2+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	67.75	ACUITE BBB+ Negative Downgraded Stable to Negative (from ACUITE A-)
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	67.75	ACUITE A2 Downgraded (from ACUITE A2+)
Canara Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE BBB+ Negative Downgraded Stable to Negative (from ACUITE A-)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No. Company Name Type of Entity

1 SAR Overseas Limited Subsidiary

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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