

Press Release

Arvind Pipes and Fittings Industries Private Limited

October 15, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE D (Assigned)
Short Term Rating	ACUITE D (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE D' (read as ACUITE D)**' and the short-term rating of '**ACUITE D' (read as ACUITE D)**' on the Rs. 20.00 crore bank facilities of Arvind Pipes and Fittings Industries Private Limited.

The rating has been assigned based on the intermittent delays observed in repayment of the term loan and cash credit interest, by few days as on September, 2020.

Arvind Pipes and Fittings Industries Private Limited (APPL), established in 1982, by Mr. Mafatlal Mehta, as 'Arvind Metal Syndicate' was incorporated as a private limited company in 1990, is engaged in the manufacturing of pipe fittings and flanges, seamless and welded pipes.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of APPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Reputed customer portfolio supported by long track record of operations**

APPL was established as a partnership firm by Mr. Mafatlal Mehta in 1982 and subsequently converted to a private limited company in 1990. The directors, Mr. Mehta has extensive experience of more than four decades in the said line of business. The extensive experience of the promoter coupled with the long track record of operations has enabled the company to forge healthy relationships with customer and suppliers namely Bhabha Atomic Research Centre, Kridhan Infra Limited, among a few.

Weaknesses

- **Weak financial risk profile**

APPL's financial risk profile is weak characterized by negative networth, weak gearing and weak debt protection metrics. The tangible networth stood weak at negative Rs. 2.40 Cr as on 31st March, 2020 (Prov) as against negative Rs. 0.38 Cr as on previous year. The gearing levels and TOL/TNW also stood weak at (10.71) times and (13.99) times as on 31st March, 2020 (Prov) against (64.34) times and (102.78) times as on previous year, respectively. Debt protection metrics of interest coverage and debt service coverage also stood weak owing to poor profitability as reflected by ICR at (0.79) times and DSCR at (0.80) times in FY2020 (Prov) compared to (4.77) times and (4.77) times in FY2019 respectively.

- **Deterioration in working capital management**

APPL's working capital management has deteriorated in FY2020 (Prov) as against FY2019. The company operates in highly working capital-intensive nature of operation marked by Gross Current Asset (GCA) of 706 days in FY2020 (Prov) as against 567 days in FY2019. The high GCA days is majorly dominated by high inventory days. The inventory days were recorded at 384 days in FY2020 (Prov) against 165 days in FY2019. The high inventory days reflect piled up inventory at the facility due to inability to sell it off. The debtor's days were recorded at 131 days for FY2020 (Prov) as against 265

days in FY2019. Due to high inventory procurement, the reliance on external borrowings has remained full.

Liquidity: Poor

The company's liquidity position is poor as reflected by negative cash accruals coupled with the fully utilized working capital limits. Net cash accruals stood negative at Rs. 1.68 Cr in FY2020 (Prov) against no repayment obligations for the same period. The working capital operations stood stretched due to stretch in the GCA days coupled with fully utilized working capital bank limits through last six months ending August - 2020. Due to poor revenue traction during this period, there have been instances of delays in furnishing the interest against the existing term loans by a few days. The company had low unencumbered cash balances of Rs. 0.24 Cr as on 31st March, 2020. The current ratio stood at 1.64 times as on 31st March, 2020.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	8.65	19.16
PAT	Rs. Cr.	-2.02	-8.69
PAT Margin	(%)	-23.38	-45.35
Total Debt/Tangible Net Worth	Times	-10.71	-64.34
PBDIT/Interest	Times	-0.79	-4.77

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

ICRA, vide its press release dated August 12, 2020 had denoted the rating of ARVIND PIPES AND FITTINGS INDUSTRIES PRIVATE LIMITED as 'ICRA D; ISSUER NOT CO-OPERATING' on account of lack of adequate information required for monitoring the ratings.

Any other information

Not Applicable

Any Material Covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.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)

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
Working Capital Term Loan	06-Nov-19	12.25 %	31-Aug-26	7.32	ACUITE D (Assigned)
Term loans	06-Nov-19	12.25%	20-Sep-29	6.75	ACUITE D (Assigned)
FITL	06-Nov-19	11.80%	30-Sep-22	0.75	ACUITE D (Assigned)
OCC	Not Applicable	Not Applicable	Not Applicable	3.75	ACUITE D (Assigned)

ILC/FLC	Not Applicable	Not Applicable	Not Applicable	0.68	ACUITE D (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE D (Assigned)

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About Acuité Ratings & Research:

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