

April 03, 2014

Facility	Amount (Rs. Crore)	Rating
Cash Credit	10.00	SMERA B/Stable (Assigned)

SMERA has assigned a rating of '**SMERA B**' (read as **SMERA single B**) to the abovementioned bank facility of Singhal Pipes Private Limited (SPPL). The outlook is '**Stable**'. SPPL is a part of the Singhal Group. For arriving at the rating, SMERA has combined the business and financial risk profiles of SPPL and Trade Linkers (TL), together referred to as the Singhal Group. The consolidation is in view of the common ownership and similar business model of the entities. The rating is constrained by the group's low profit margins and weak financial risk profile. The rating is also constrained by the group's exposure to geographical concentration amidst intense competition prevalent in the pipes and fittings industry. However, the rating derives support from the group's experienced management and healthy revenue growth.

The Singhal Group (established in 1991) is engaged in trading of polyvinyl chloride (PVC) pipes and fittings, water tanks, chromium plated (CP) fittings, galvanized iron (G.I.) pipes and fittings, cast iron (C.I.) pipes and fittings and mild steel pipes. The Singhal Group's consolidated net profit margin is low at 0.28 per cent in FY2012-13 (refers to financial year, April 01 to March 31) due to high interest cost. The group has weak debt protection metrics reflected in high leverage (debt-equity ratio) of 6.25 times as on March 31, 2013, low interest coverage ratio of 1.20 times in FY2012-13 and low net worth of Rs.3.29 crore as on March 31, 2013. The Singhal Group's total debt of Rs.20.57 crore (as on March 31, 2013) includes working capital loans and unsecured loans of Rs.2.27 crore, which are not subordinated to bank debt. The group's operations are concentrated in Noida and Ghaziabad. Moreover, the Singhal Group faces intense competition from several players in the pipes and fittings industry.

The Singhal Group benefits from its experienced management. Mr. Sajjan Kumar Singhal, promoter of the Singhal Group, has around 33 years of experience in the pipes and fittings industry. The group's consolidated revenues have grown at a healthy compound annual growth rate (CAGR) of 42.06 per cent during the past five years.

Outlook: Stable

SMERA believes SPPL will continue to benefit over the medium term from its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in revenues while achieving healthy profit margins and comfortable debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the group fails to achieve the projected revenues, or in case of deterioration in the group's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

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About the group

SPPL and TL are a part of the Singhal Group. SPPL, incorporated in 2005, is a Ghaziabad-based company engaged in trading of PVC pipes and fittings, water tanks, G.I. pipes and fittings, C.P. fittings and C.I. pipes and fittings. SPPL commenced commercial operations in 2010. The overall operations of the company are currently managed by Mr. Sajjan Kumar Singhal and Mr. Anil Kumar Singhal (son of Mr. Sajjan Kumar Singhal). SPPL has an administrative office and a warehouse in Ghaziabad, Uttar Pradesh.

TL (established in 1991 as Industrial Equipment Corporation) is a Ghaziabad-based partnership firm engaged in trading of sanitary and bathroom fittings, PVC pipes and mild steel pipes. TL is owned by Mr. Anil Kumar Singhal.

For FY2012-13 (as per consolidated financials), the Singhal Group reported PAT of Rs.0.30 crore on operating income of Rs.107.77 crore, as compared with PAT of Rs.0.33 crore on operating income of Rs.95.88 crore for FY2011-12. The group's consolidated net worth stood at Rs.3.29 crore as on March 31, 2013, as compared with Rs.3.55 crore a year earlier.

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