



## Press Release

### Swastik Pipe Limited

January 15, 2025

#### Ratings

Security Facility /	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan/GECL	16.40 * (Reduced from Rs.22.74 crore)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Cash Credit	90.81	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities – ILC/FLC/ BG	85.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed	Simple
<b>Total</b>	<b>192.21</b> <b>(Rupees one hundred and ninety-two crore and twenty-one lakhs only)</b>				

\*Outstanding as on December 31, 2024

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Swastik Pipe Limited (SPL) continues to derive comfort from long track record of its operations under experienced top management, diversified product portfolio and established relationship with customers and suppliers. The ratings also consider the stable business performance of the company in FY2024 [FY refers to the period from April 1 to March 31] and in H1FY2025, albeit moderation in profit margins. The ratings further note the comfortable capital structure; albeit moderation in debt coverage indicators in FY2024. However, these rating strengths continues to remain partially offset by working capital intensive nature of its operations and exposure to cyclicity associated with the steel industry.



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Infomerics believes that the company will maintain a 'Stable' outlook over the medium term driven by expected improvement in sales realisation in H2FY2025 which will further support the financial risk profile of the company in the near term.

### **Key Rating Sensitivities:**

#### **Upward factors**

- Sustained growth in scale of operations with improvement in profitability and gross cash accruals
- Improvement in capital structure and improvement in debt protection metrics with improvement in interest coverage to over 2.0x.
- Improvement in operating cycle and overall liquidity position of the company

#### **Downward Factors**

- Deterioration in scale of operations and/or moderation in profitability resulting in moderation in ICR to below 1.50x
- Moderation in the capital structure with overall gearing deteriorated above 1.5x
- Any large debt funded capital expenditure and/or further elongation of the working capital cycle leading to deterioration in the financial risk profile.

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### **Experienced top management**

SPL was incorporated in 1973 by Late Mr. Devki Nandan Bansal who had vast experience of over 50 years in this industry. His son, Mr. Sandeep Bansal, is currently the Managing Director of the company. He is a postgraduate in Business Management and has around 30 years of experience in the industry. Other members of the board are also well-qualified and have more than two decades of overall industry experience.

##### **Long track record of operations and established relationship with customers and suppliers**

SPL has an operational track record of over four decades in the steel pipes and tubes industry. Long standing presence in the industry has helped the Company establish healthy relationships with both customers and suppliers. While the company procures HR coil, its primary raw material from Tata Steel and SAIL, it sells its products to a diversified customer base. The top ten customers contributed ~40% and ~36% of the total sales of the Company



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in FY2023 and 9MFY2024 respectively. The Company is likely to benefit from its established presence as well as healthy relationship with both customers and suppliers going forward.

### **Diversified product portfolio**

SPL has a diversified product portfolio comprising of galvanized pipes, black pipes, CR coils, precision pipes, tubular poles and mounting structures. These products have varied industrial uses and are widely used for irrigation & sewage, water supply & plumbing, oil & gas and automobiles. The company sells all its products under its registered brand “T.T. Swastik”.

### **Stable business performance in FY2024 and in H1FY2025 albeit moderation in profit margins**

Total operating income of the company increased marginally Rs.711.32 crores in FY23 to Rs.723.46 crore in FY24 driven by steady improvement in volume sales as well as average sales realisation of Steel pipes, CR/HRPO (Steel Coil and Sheets) and ST Poles. Despite the increase in top line, the EBITDA margin of the company moderated marginally from 3.84% in FY23 to 3.26% in FY24 mainly due to an increase in raw material cost and other operational and administrative overheads. Consequently, the PAT margin also moderated from 1.26% in FY23 to 0.70% in FY24. SPL generated a PAT of Rs.2.29 crore on a TOI of Rs.366.75 crore during H1FY2025 as against a PAT of Rs.4.10 crore on a top line of Rs.362.88 crore during H1FY2024. The decrease in profit margin during H1FY2025 is due to a decrease in overall sales realisation owing to decrease in steel prices. The company's ability to sustain growth in its topline while improving its profit margins will be critical from credit perspective, going forward.

### **Comfortable capital structure; albeit moderate debt coverage indicators**

The capital structure of the company remained comfortable as on March 31,2024, marked by its comfortable leverage ratios and satisfactory tangible net worth base. The leverage ratios, continued to remain comfortable and improved driven by continuous accretion of profit to reserves along with scheduled repayment of term loans. The long-term debt equity ratio and overall gearing ratio stood comfortable at 0.22x and 0.64x respectively as on March 31,2024 (0.24x and 0.69x respectively as on March 31, 2023). Total indebtedness of the company remained comfortable marked by TOL/TNW at 1.16x as on March 31,2024. However, the debt protection metrics of the company as indicated by interest coverage ratio continued to remain low and further moderated from 1.67x in FY23 to 1.34x in FY24 due to decrease in overall



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profits. Total debt to EBITDA and Total debt to GCA also moderated from 4.97x and 8.10x respectively as on March 31, 2023 to 5.42x and 11.20x respectively as on March 31, 2024.

### **Key Rating Weaknesses**

#### **Working capital intensive operations**

The operating cycle of the company stood at 99 days in FY2023 and FY2024. The company sells its products to traders, EPC Contractors, tier 2 vendors of OEMs such as Maruti, Bajaj, MNC's as well as Government institutions. While payment from traders, EPC Contractors, vendors of OEM are received in 7-30 days' time, payment from Government is at times stretched up to 5-6 months. Also, the company has to maintain inventory of around 40-45 days as a regular business practice. Further, the company avails a credit of around 20-30 days from some of its raw material suppliers. The average utilization of fund based working capital limits for twelve months through February 2024, stood high at ~95%.

#### **Exposure to cyclicalities associated with the steel industry**

The primary raw material for the company is HR coil, the prices of which have been volatile in nature. Hence, the operating margin and realisations are susceptible to volatility in steel prices. Also, the steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market.

**Analytical Approach:** Standalone

#### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Policy of default recognition](#)

[Criteria on complexity](#)

#### **Liquidity – Adequate**

SPL has adequate liquidity marked by its comfortable expected cash accruals over the medium term as against debt repayment obligations. The company has a strong gearing headroom as the overall gearing remained comfortable at 0.64x as on March 31, 2024. Further, the current ratio stood comfortable at 1.86x as on March 31, 2024. However, the company's operations are working capital intensive and the average utilization of fund based



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working capital limits for the past twelve months remained high indicating a limited liquidity buffer.

### **About the Company**

Incorporated in 1973, New Delhi based Swastik Pipe Ltd (SPL), manufactures wide varieties of Mild Steel/Carbon Steel ERW Black and Galvanized Pipes/ Tubes and tubular poles, which have diversified industrial use such as for irrigation & sewage, water supply & plumbing, oil & gas and automobiles. All the products of the Company are sold under its registered brand “T.T. Swastik”. The manufacturing facilities of the Company are located at Bahadurgarh (Haryana) and Kosi Kalan (Uttar Pradesh). The combined annual installed production capacity of both the manufacturing facilities is 250,000 MT. The company has listed itself in National Stock Exchange under SME Platform from October 12, 2022.

### **Financials (Standalone):**

	<b>(Rs. crore)</b>	
<b>For the year ended* / As On</b>	<b>31-03-2023</b>	<b>31-03-2024</b>
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	711.32	723.46
EBITDA	27.29	23.61
PAT	9.06	5.13
Total Debt	135.71	127.96
Adjusted Tangible Net worth	197.48	200.80
EBITDA Margin (%)	3.84	3.26
PAT Margin (%)	1.26	0.70
Overall Gearing Ratio (x)	0.69	0.64
Interest Coverage	1.67	1.34

*\* Classification as per Infomerics' standards.*

### **Status of non-cooperation with previous CRA:**

India Ratings vide its press release dated July 14, 2024 has maintained the rating in issuer not cooperating category due to non-submission of information by the company.

**Any other information:** Nil

**Rating History for last three years:**





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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)				Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	
					May 06, 2024	April 04, 2023	-	March 22, 2022	September 21, 2021
1	Term Loan/GEC L	Long Term	16.40 * (Reduced from Rs.22.74 crore)	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-/Stable	-	IVR BBB-/Stable	IVR BB+/Stable
2	Cash Credit	Long Term	90.81	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-/Stable	-	IVR BBB-/Stable	IVR BB+/Stable
3	ILC/FLC/BG	Short Term	85.00	IVR A3	IVR A3	IVR A3	-	IVR A3	IVR A4+

\*Outstanding as on December 31, 2024

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan/GECL	-	-	-	September 2028	16.40 * (Reduced from Rs.22.74 crore)	IVR BBB-/ Stable
Cash Credit	-	-	-	-	90.81	IVR BBB-/ Stable
ILC/FLC/ BG	-	-	-	-	85.00	IVR A3

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Swastik-Pipe-15jan25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated/Combined analysis:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com)