



Press Release

Swastik Pipe Limited

April 04, 2023

Ratings

| Facilities | Amount (Rs. crore) | Ratings | Rating Action | Complexity Indicator |
|----------------------------|---|--|---------------|--------------------------------------|
| Long Term Bank Facilities | Rs. 98.76 (Enhanced from 91.66) | IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook) | Reaffirmed | Simple |
| Short Term Bank Facilities | Rs.79.24 crore (Enhanced from 65.00) | IVR A3 (IVR A Three) | Reaffirmed | Simple |
| Total | 178.00 (One Seventy-Eight Crore) | | | |

Details of Facilities are in Annexure 1

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 considers its comfortable capital structure along with improvement in financial performance in FY22 and in 9MFY23. However, these rating strengths continues to remain partially offset by its thin profitability, moderate debt protection metrics, working capital intensive nature of its operations and exposure to cyclicity associated with the steel industry.

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 liquidity with improvement in operating cycle.

Downward Factors

- Deterioration in scale of operations and/or moderation in profitability
- Moderation in the capital structure with overall gearing deteriorated above 1.5x



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- Any large debt funded capital expenditure and/or further elongation of the working capital cycle leading to deterioration in the financial risk profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced top management

SPL was incorporated in 1973 by Late Mr. Devki Nandan Bansal who had a 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 post-graduate 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 five customers contributed ~34% to the sales of the Company in FY22. 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".

Growth in scale of operation in FY22 and in 9MFY23

Total operating income of the company registered a y-o-y growth of ~17% in its total operating income from Rs.522.17 crores in FY21(A) to Rs.608.71 crore in FY22(A) driven by steady improvement in average sales realisation due to rising demand of from main product i.e., Steel pipes, CR/HRPO (Steel Coil and Sheets) and ST Poles. Gross cash accruals of the company have also improved from Rs.6.50 crore in FY21 to Rs.10.23 crore in FY22.



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However, the company has witnessed moderation in its volume sales in FY22. In 9MFY23 the company has achieved a revenue of ~Rs.508 crore with improvement in its volume sales.

Comfortable capital structure

The capital structure of the company continues to remain comfortable as on March 31,2022, marked by its comfortable leverage ratios and satisfactory tangible net worth base. The debt equity ratio and overall gearing ratio stood comfortable at 0.27x and 0.80x respectively as on March 31,2022 (1.07x and 2.68x respectively as on March 31, 2021). Moreover, total indebtedness of the company remained comfortable marked by TOL/TNW at 1.41x as on March 31,2022.

Key Rating Weaknesses

Thin profitability

The EBITDA margin of the company moderated from 5.31% in FY21 to 4.23% in FY22 mainly due to a drop in its capacity utilisation leading to lower absorption of fixed overheads and rise in employee expenses and cost of materials, during the year. However, SPL has made a profit of Rs.15.64 crore from the sale of land and building which has boosted its overall profitability to an extent. However, in 9MFY23, the profit margin of the company continued to remain thin.

Moderate debt protection metrics

The debt protection metrics of the company as indicated by interest coverage ratio though improved continues to remain moderate at 1.35x in FY22 vis-a-vis 1.21x in FY21. Further, with drop in total debt level and rise in profit levels, Total debt to EBITDA and Total debt to GCA has improved to 4.41x and 11.11 years respectively as on March 31,2022 (5.13x and 21.62 years respectively as on March 31,2021).

Working capital intensive operations

The operating cycle of the Company though improved but continues to remain high at 95 days as on March 31, 2022. The company sells its products to traders, EPC Contractors, tier 2 vendors of OEM's 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. Further, the gross current asset days continues to remain high at ~154 days in FY22.

Exposure to cyclicity associated with the steel industry.



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The primary raw material for the company is HR coil, the prices of which have been volatile in nature. Hence, 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 Trading Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

Liquidity – Adequate

SPL has adequate liquidity marked by comfortable expected cash accruals over the medium term as against repayment obligations. However, the company's operations are working capital intensive, and the average maximum utilization of fund based working capital limits for twelve months through January 2023, stood at ~89%. The current ratio stood at 1.58x as on March 31, 2022.

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

| For the year ended* / As On | (Rs. crore) | |
|-----------------------------|----------------|----------------|
| | 31-03-2021 | 31-03-2022 |
| | Audited | Audited |
| Total Operating Income | 522.17 | 608.71 |



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| For the year ended* / As On | 31-03-2021 | 31-03-2022 |
|-----------------------------|------------|------------|
| EBITDA | 27.75 | 25.77 |
| PAT | 1.45 | 27.94 |
| Total Debt | 142.49 | 113.69 |
| Tangible Net worth | 73.64 | 141.63 |
| Adjusted Tangible Net worth | 128.28 | 141.63 |
| EBITDA Margin (%) | 5.31 | 4.23 |
| PAT Margin (%) | 0.28 | 4.56 |
| Overall Gearing Ratio (x) | 1.11 | 0.80 |
| Interest Coverage (times) | 1.21 | 1.35 |

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: India Ratings vide its press release date July 28,2022 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:

| Sr. No. | Name of Instrument/Facilities | Current Ratings (Year 2023-24) | | | Rating History for the past 3 years | | | |
|---------|-------------------------------|--------------------------------|---------------------------------|-------------------|---|------------------------------|---|---|
| | | Type | Amount outstanding. (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2021-22 | | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 |
| 1. | Term Loan/ GECL | LT | 27.95 (Enhanced from 20.85) | IVR BBB- / Stable | IVR BBB- / Stable (Mar 22,2022) | IVR BB+/Stable (Sep 21,2021) | IVR BB; ISSUER NOT COOPERATING (Nov 17, 2020) | IVR BBB-; Stable; ISSUER NOT COOPERATING (Oct 15, 2019) |
| 2. | Cash Credit | LT | 70.81 | IVR BBB- / Stable | IVR BBB- / Stable (Mar 22,2022) | IVR BB+/Stable (Sep 21,2021) | IVR BB; ISSUER NOT COOPERATING (Nov 17, 2020) | IVR BBB-; Stable; ISSUER NOT COOPERATING (Oct 15, 2019) |
| 3. | ILC/FLC/ BG (Including | ST | 79.24 | IVR A3 | IVR A3(Mar | IVR A4+(Sep | IVR A4; ISSUER | IVR A3; ISSUER |



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| Sr. No. | Name of Instrument/Facilities | Current Ratings (Year 2023-24) | | | Rating History for the past 3 years | | | |
|---------|-----------------------------------|--------------------------------|---------------------------------|--------|---|----------|---|---|
| | | Type | Amount outstanding. (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2021-22 | | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 |
| | Proposed limit of Rs.14.74 crore) | | | | 22,2022) | 21,2021) | NOT COOPERATING (Nov 17, 2020) | NOT COOPERATING (Oct 15, 2019) |

Name and Contact Details of the Rating Analyst:

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|---|--|
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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit <https://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



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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: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|--|------------------|------------------|---------------|------------------------------|--------------------------|
| Term Loan/ GECL | - | - | March 2028 | 27.95 | IVR BBB-/ Stable |
| Cash Credit | - | - | - | 70.81 | IVR BBB-/ Stable |
| ILC/FLC/ BG (including proposed limit) | - | - | - | 79.64 | IVR A3 |

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-swastik-apr23.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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 <https://www.infomerics.com>.