

Infomerics Valuation And Rating Pvt. Ltd.

Giga Pipes Systems India LLP

June 27, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1	Bank Facilities- Long Term	10.00	IVR A-(SO)/Stable Outlook [IVR Single A Minus (SO) with Stable Outlook]*
2.	Bank Facilities- Short Term	30.00	IVR A2+(SO) [IVR A Two Plus (SO)]*

**the rating is based on unconditional and irrevocable guarantee from KKSPUN India Limited*

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws comfort from the unconditional and irrevocable guarantee from KKSPUN India Limited, extensive experience of its promoters, healthy order book and comfortable capital structure. These strengths are partially offset by nascent stage of operations of the firm, customer concentration in revenue profile, volatile input prices in correlation with the petroleum cycle and fragmented industry leading to high competition. Significant improvement in scale of operations, working capital management around current levels and sharp changes in capital structure are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters

Giga Pipe is promoted by KKSPUN India Limited, a company engaged in manufacture of precast concrete pipes and fittings since 1977 and RITEC Kunststoff Handels, Germany, part of MDS Group which has been into diverse business activities relating to corrugated pipe manufacturing, joints systems and sealing systems.

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Further, the firm is led by a team of well qualified and experienced professionals. Giga Pipe is likely to benefit from the extensive experience of its promoters and management over the medium term.

Corporate guarantee from the promoters

The bank facilities of Giga Pipe are backed by corporate guarantee from its promoter KKSPUN India Limited.

Healthy Order Book

Giga Pipe had outstanding orders to the tune of Rs.162.65crore as on May 23, 2019 which provides healthy revenue visibility over the near term.

Comfortable Capital Structure

The capital structure of the firm remained comfortable in FY18 in the absence of any debt, as reflected in TOL/TNW of 1.08x. The capital structure is expected to remain comfortable over the medium term with higher accretion of profits to net worth driven by increase in scale.

Key Rating Weaknesses

Nascent stage of operations

Giga Pipe commenced operations in Feb 2017. The firm achieved revenues of Rs.10.14crore in FY18, its first full year of operations. In FY19, Giga Pipe reported revenues of Rs.25crore on provisional basis.

Customer concentration in revenue profile

The firm is exposed to client concentration risk as it derived its revenue from 5 customers only in FY18. Client concentration is likely to continue over the near term.

Volatile input prices in correlation with the petroleum cycle

Ethylene is the raw material required for production of HDPE (High-density polyethylene); the main input used by the firm. HDPE prices are subject to high volatility on account of price

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changes in Crude oil, Ethylene etc. Thus, the operating profitability of Giga Pipes will remain vulnerable to volatility in input prices.

Fragmented industry leading to high competition

The pipe industry in India is largely fragmented; marked by the presence of a few big players and a large number of unorganized players. The firm is thus exposed to intense competition from the unorganized players in the domestic market.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The firm has strong liquidity marked by healthy expected accruals over the medium term as against repayment obligations. Further, the resourcefulness of the promoter groups indicates sufficient support in tiding over debt repayments.

About the Company

Incorporated in 2015, Giga Pipe Systems India LLP (Giga Pipe) is engaged in the manufacture of double wall corrugated pipe ranging from diameter 90 mm to 500 mm. The firm's manufacturing facilities are located at Bhiwadi (Rajasthan) and Maihar (Madhya Pradesh) with installed capacity of 10,000 tonnes per annum. The firm is promoted by KKSPUN India Limited and RITEC Kunststoff Handels, Germany.

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Financials (Standalone): Giga Pipes Systems India LLP

For the year ended*	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Provisional
Total Operating Income	10.14	25.00
EBITDA	1.36	3.21
PAT	0.11	1.26
Total Debt	0.00	5.21
Tangible Net worth	10.53	11.81
EBITDA Margin (%)	13.45	12.84
PAT Margin (%)	1.09	5.06
Overall Gearing Ratio (x)	-	0.44

*Classification as per Infomerics' standards

About the Guarantor

KKSPUN India Limited is a provider of precast concrete solutions for the Infrastructure Industry. KKSP was initially founded by Mr. Pramod Gupta in 1977, with a single manufacturing unit in Ballabgarh. Then in 2006, KKSPUN India Private Limited was incorporated. Subsequently in May, 2016, the Company was converted into a Public Limited Company and the name was changed to KKSPUN India Limited. The Company's precast concrete business extends to include products such as RCC pipes, jacking pipes, shaft and tunnel segments, irrigation pipes etc.

Financials (Standalone): KKSPUN India Limited

For the year ended*	(Rs. crore)	
	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	370.33	401.03

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For the year ended*	31-03-2017	31-03-2018
EBITDA	67.18	72.31
PAT	20.18	19.61
Total Debt	99.29	119.05
Tangible Net worth	113.73	133.34
EBITDA Margin (%)	18.14	18.03
PAT Margin (%)	5.43	4.87
Overall Gearing Ratio (x)	0.87	0.89

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Cash Credit	Long Term	10.00	IVR A-(SO)/Stable	-	-	-

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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
2.	Short Term Non Fund Based Limits – Letter of Credit	Short Term	10.00	IVR A2+(SO)	-	-	-
3.	Short Term Non Fund Based Limits –Bank Guarantee	Short Term	20.00	IVR A2+(SO)	-	-	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining

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prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	10.00	IVR A-(SO)/Stable
Short Term Bank Facilities –Letter of Credit	-	-	-	10.00	IVR A2+(SO)
Short Term Bank Facilities –Bank Guarantee	-	-	-	20.00	IVR A2+(SO)