

## Swastik Pipe Limited

May 04, 2021

### Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	124.80	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable; (Double B; Outlook: Stable)
Short Term Bank Facilities	55.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>179.80</b> <b>(Rs. One Hundred Seventy-Nine Crore and Eighty Lakhs Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information and NDS from SPL to monitor the ratings vide e-mail communications February 28, 2021, February 23, 2021, February 18, 2021 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Swastik Pipe Limited (SPL) has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement.

The rating on SRB's facilities will now be denoted as **CARE B; Stable/CARE A4; ISSUER NOT COOPERATING\***.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.***

The rating has been revised on account of no due-diligence conducted due to non-cooperation by SRB with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the rating takes into account the constraints relating to company's limited value addition in its finished product leading to low profitability margins, its working capital-intensive nature of operations and cyclicity associated with the steel industry. The ratings, however, continue to take comfort from experienced promoters and its long track record of operations in the steel pipe industry with an established brand name. The ratings also factor in SPL's moderate financial risk profile during FY20, its diversified product portfolio and client base.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### ***Working capital intensive nature of business operations***

The company has a working capital-intensive nature of business operations as exhibited by operating cycle of 99 days. The company has to maintain adequate inventory levels resulting in high average inventory period of 55 days in FY20. The higher inventory holding levels coupled with high collection period and low creditor days has resulted in a high operating cycle.

#### ***Moderate Financial Risk Profile***

SPL has moderate financial risk profile characterized by average profitability indicators, moderate capital structure and debt coverage indicators. The company's operating income has declined to Rs 658.07 cr. during FY20 and PBILDT margins has declined to 1.84% during the period. The margins remain low because of the limited value addition in the product of the company. Further company had losses in FY20 as marked by PAT of Rs. -21.47 crore. Also, the company's overall gearing and total debt to GCA have moderated as on March 31, 2020 owing to relatively higher debt taken.

#### ***Cyclicity associated with the steel industry***

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. Furthermore, the value addition in the steel products

like pipes and sheets is also low, resulting into low product differentiation in the market. The steel producers are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility in the steel prices.

### **Key Rating Strengths**

#### ***Experienced promoters and long track record of operations***

The company incorporated in 1973 and is promoted by Mr. D N Bansal, Managing Director, who has an experience of more than 40 years in the ERW pipes and CR sheet coil manufacturing business. The company has marketing arrangement through dealer network of majorly in northern India. SPL has two main divisions which is into manufacturing of ERW pipes and CR Coil/strips. SPL has a reputed client base spanning across India and abroad.

**Analytical Approach:** Standalone

#### **Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

#### **About the Company**

Swastik Pipe Limited (SPL) promoted by Mr D N Bansal, was incorporated in 1973 and is primarily engaged in the production of ERW (Electric Resistance Welded) pipes and CR Sheets & coils for automobiles, infrastructure and water transportation purposes. SPL has two manufacturing plants, each located in Bahadurgarh (Haryana) and Kotwan (Uttar Pradesh) with installed capacity of 1, 25, 000 pipes and 2, 00, 000 MT of CR coils/ strips. The company manufactures and sells its pipes in the domestic and export market under the banner of T.T Swastik Brand. The company's product portfolio includes black and galvanized steel tubes and pipes, CR Coils, CR Sheets, HRPO coils, HRPO sheets.

(Rs. In crores)

Brief Financials (Rs. crore)	FY19	FY20
	A	A
Total operating income	725.17	658.07
PBILDT	32.51	12.13
PAT	4.65	-21.47
Overall gearing (times)	2.10	2.71
Interest coverage (times)	1.17	0.28

A-Audited

**Status of non-cooperation with previous CRA:** IND BB / IND A4+ (Issuer Not Cooperating) vide PR dated July 10, 2020 and IVR BB / IVR A4 (Issuer Not Cooperating) vide PR dated November 17, 2020.

**Any other information:** Not Applicable

**Rating History (Last three years):** Please refer Annexure-2

#### **Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	124.80	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	55.00	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	124.80	CARE B; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (25-Mar-20)	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (04-Oct-18)
2.	Non-fund-based - ST-Bank Guarantees	ST	55.00	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (25-Mar-20)	1)CARE A3; Stable; ISSUER NOT COOPERATING* (04-Oct-18)

\*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-Bank Guarantees	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### Disclaimer

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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**