

Swastik Pipe Limited

April 13, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn
Short Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale and Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding rating of '**CARE B; Stable; Issuer not cooperating/CARE A4; Issuer not cooperating**' (Single B; Outlook: Stable; Issuer not cooperating*/ A Four; Issuer not cooperating*) assigned to the bank facilities of Swastik Pipe Limited (SPL) with immediate effect.

Rating assigned to the bank facilities of Swastik Pipe Limited (SPL) was constrained due to company's moderate scale of operation, leveraged capital structure, weak debt coverage indicators and working capital intensive nature of operations in FY21 (refers to period from April 01 to March 31). The ratings are further constrained on account of the company's presence in the cyclical steel industry.

The ratings however draw comfort from the experience of the promoters as well as improvement in its profitability in FY21.

The rating withdrawal is at the request of SPL and 'No Objection Certificate' received from the banks that has extended the facilities rated by CARE. Further SPL has also stated that it has not availed the proposed facilities rated by CARE and hence also requested the withdraw the rating for the same.

Detailed description of the key rating drivers

At the time of last rating on May 04, 2021 the following were the rating weaknesses and strengths (updated based on information available from client):

Key Rating Weaknesses

Moderate scale of operation, Leveraged capital structure and weak debt coverage

The scale of operation of SPL decreased over previous year and remained moderate marked by total operating income of Rs.523.84 crore in FY21 against Rs.658.07 crore in FY20. With higher reliance on working capital borrowing, SPL's capital structure remained leveraged marked by an overall gearing of 2.68x as on March 31, 2021 as against 2.75x as on March 31, 2020. Whereas debt coverage indicators improved marginally on the back of an increase in absolute profitability and stable interest costs but remained weak marked by interest coverage ratio of 1.29x in FY21 as against 0.42x in FY20, whereas TD/GCA remained weak at 32 years on the back of high overall debt vis-à-vis low cash accruals.

Working capital intensive nature of business operations

SPL has a working capital-intensive nature of business operations as exhibited by operating cycle of 120 days. SPL has to maintain adequate inventory levels led to elongation inventory holding days. Further SPL has extending higher credit period to its customers led to elongation in collation days. Hence, elongation in inventory days with collection days led to elongation operating cycle in FY21.

Cyclical nature 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

**Issuer did not cooperate; based on best available information*

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE publications

network of majority 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.

Improvement in profitability

Despite a decline in TOI during FY21, profitability of SPL improved with decrease in overall cost during the year, marked by PBILDT margins of 5.62% improved from 1.84% in FY20. Resultantly with lower financial charges reported during the year, SPL is able to report net profit in FY21 as against net loss reported in FY20.

Analytical Approach: Standalone

Applicable criteria

[Policy on Withdrawal of ratings](#)

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

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

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

[Rating Methodology - Steel Industry](#)

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.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	FY22(Prov.)
Total operating income	658.07	523.84	NA
PBILDT	12.13	29.42	NA
PAT	-21.47	1.45	NA
Overall gearing (times)	2.75	2.68	NA
Interest coverage (times)	0.42	1.29	NA

A – Audited, Prov. – Provisional, NA – Not available

Status of non-cooperation with previous CRA: CRISIL has continued the rating assigned to the bank facilities of SPL into ISSUER NOT COOPERATING category vide press release dated September 29, 2021 on account of its inability to carry out a review in the absence of requisite information.

India Ratings has continued the rating assigned to the bank facilities of SPL into ISSUER NOT COOPERATING category vide press release dated July 09, 2021 on account of its inability to carry out a review in the absence of requisite information.

ICRA has suspended the ratings assigned to the bank facilities of SPL vide press release dated September 05, 2014 on account of non-cooperation by SPL to undertake a review of the ratings outstanding.

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Please refer Annexure-3

Complexity level of various instruments rated for this company: Please refer Annexure-4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-Bank Guarantee		-	-	-	0.00	Withdrawn

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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (04-May-21)	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (25-Mar-20)
2	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	1)CARE A4; ISSUER NOT COOPERATING* (04-May-21)	-	1)CARE A4; ISSUER NOT COOPERATING* (25-Mar-20)

**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 instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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