

SWASTICO PIPE & TUBE PRIVATE LIMITED

April 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	26.01	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	31.99	CARE BB; Stable / CARE A4	Assigned
Short Term Bank Facilities	5.00	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to bank facilities of Swastico Pipe & Tube Private Limited (SPTPL) are constrained by leveraged capital structure and moderate debt coverage indicators, working capital intensive nature of operations, susceptibility of profitability margins to fluctuation in raw material prices and presence in highly competitive industry.

The ratings derive strength from growing albeit moderate scale of operations alongwith moderate profitability margins and experienced promoters.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in Total Operating Income (TOI) above Rs. 250 crore with sustaining Profit Before Interest, Lease Rentals, Depreciation, and Taxation (PBILDT) margin above 6%.
- Improvement in capital structure marked by overall gearing ratio of below 2x alongwith improvement in debt coverage ratios on a sustained basis.

Negative factors

- Decline in TOI by more than 20%.
- Any higher than envisaged debt funded capex resulting in overall gearing above 3x.
- Any significant increase in working capital cycle above 150 days resulting in weakening of liquidity position of the company.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that SPTPL will sustain its moderate scale of operations and moderate financial risk profile, supported by its experienced promoters.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure and moderate debt coverage indicators

SPTPL's capital structure remained leveraged, with an overall gearing ratio of 2.67x as on March 31, 2024, as against 1.81x as on March 31, 2023. The deterioration in overall gearing is on account of new term loan availed during FY24 of Rs. 22.82 crore to fund capital expenditure of Rs. 26 crore for building and plant and machinery and remaining expense funded through promoter fund. Further, TOL/ TNW remained moderate at 3.33x as on March 31, 2024 (PY: 2.35x) owing to low net worth base of Rs.17.83 crore.

The company's debt coverage indicator remained moderate marked by a PBILDT/Interest Coverage ratio of 3.43x as on FY24 end (FY23 end: 10.73x). However, it remained leveraged with Total Debt/GCA ratio of 9.86x as on March 31, 2024 (PY: 7.93x).

Working capital intensive nature of operations

SPTPL has working capital intensive nature of business operations. The company requires to maintain inventory for raw material as well as finished goods. Moreover, raw material is purchased majorly from Jindal Steel Limited and RimJim Steel limited on credit period of 20 days against which it provides credit period of 30-45 days to its customers which leads to moderate utilisation of WC requirement. Gross current assets stood at 121 days during FY24, against 109 days during FY23. Working capital cycle remained moderate at 62 days in FY24, compared with 54 days in FY23.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Susceptibility of profitability margins to fluctuation in raw material prices

Steel is the key material of SPTPL. Steel prices are volatile in nature and the same, are driven by global prices and are also dominated by the demand supply scenario. Hence, profitability of the company can be impacted by adverse movements in steel prices which it may not be able to pass on entirely to its clients, owing to competition pressure.

Presence in competitive and cyclical industry

Steel is a cyclical industry, strongly correlated to economic cycles since its key users viz., construction, infrastructure, automobiles and capital goods are heavily dependent on the state of the economy. The steel pipes industry is highly competitive due to presence of various organized and unorganized players and expanding applications of various types of steel pipes.

Key strengths

Experienced promoters

SPTPL is promoted by Mr. Kumparam Choudhary, who has experience of more than two decades in steel products trading and more than a decade of experience in manufacturing of steel pipes and tubes through the group company, Swastik Metal Distributors Private Limited. He is supported by his two sons Mr. Jivraj Choudhary, an M.E. in Mechanical Engineering from M.S. University, who oversees the company's finance function, and Mr. Karan Choudhary, a Computer Engineering graduate from Parul University, Vadodara, who looks after marketing function. The management team is further strengthened by a group of experienced professionals.

Growing albeit moderate scale of operations and profitability

SPTPL's TOI grew at CAGR of 79% during past four years ended March 31, 2024, however, it remained moderate at Rs.114.81 crore during FY24 (PY: Rs.86 crore). During 9MFY25, company registered revenue of Rs.178.14 crore backed by volume growth and increased sales realisation. It is expected to achieve revenue of Rs. 250 crore for FY25.

Profitability of the company remained moderate marked by PBILDT margin remained in the range of 4-7% and PAT margin remained in the range of 2- 3% during past three years ended FY24 and further expected to remain in the similar range during the projected period.

Liquidity: Stretched

The company's liquidity remains stretched, as reflected by high utilization of working capital limits with negative cash flow from operations and tightly matched GCA vis-à-vis debt repayment obligation.

The average utilization of fund-based limits remained moderate at 80% during past 12 months ended February 2025. The company reported negative cash flow from operations of Rs.0.53 Crore during FY24 (PY: negative Rs.5.28 Crore) and Rs.5.11 crore during 9MFY25.

The company reported moderate annual gross cash accruals of Rs.4.82 crore in FY24 (PY: Rs.2.80 crore), while its annual repayment obligations ranges between Rs.4.5 crore to Rs.5 crore over next three years ended FY27, however GCA is expected to improve with growth in scale of operations. The company had a free cash bank & bank balance (incl. liquid investments) of Rs.1.18 crore as on March 31, 2024 (Rs.0.37 Crore as on March 31, 2023), and Rs.0.65 Crore as on December 31, 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Iron & Steel](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Iron & Steel Products

Vadodara based Swastico Pipe and Tube Private Limited (SPTPL) was incorporated in March 2017. The company is promoted by Mr. Kumparam Choudhary who has experience of more than two decades into similar industry.

SPTPL is engaged in manufacturing of seamless and welded stainless-steel pipes, tubes and 'U' tubes which finds its application in various industries including oil & gas, chemicals, pharmaceuticals, food processing, automobile, etc. The manufacturing facilities of SPTPL is spread across an area of 6.52 lakh sq. ft in Kurali, Karjan with an installed capacity of 22,800 MTPA as on March 15, 2025.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (Prov.)
Total operating income	86.00	114.81	178.43
PBILDT	4.08	7.56	12.13
PAT	2.32	2.18	3.37
Overall gearing (times)	1.81	2.67	2.92
Interest coverage (times)	10.73	3.43	3.30

A: Audited Prov.: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2030	26.01	CARE BB; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	30.00	CARE BB; Stable / CARE A4
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	1.99	CARE BB; Stable / CARE A4
Non-fund-based - ST-Letter of credit		-	-	-	5.00	CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	30.00	CARE BB; Stable / CARE A4				
2	Fund-based - LT-Term Loan	LT	26.01	CARE BB; Stable				
3	Non-fund-based - ST-Letter of credit	ST	5.00	CARE A4				
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	1.99	CARE BB; Stable / CARE A4				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

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

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in Sajni Shah Assistant Director CARE Ratings Limited Phone: 079-40265636 E-mail: Sajni.Shah@careedge.in Devangi Shah Lead Analyst CARE Ratings Limited E-mail: Devangi.shah@careedge.in
---	--

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For detailed Rationale Report and subscription information, please visit www.careedge.in