

MAY 16, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF SWASTIK PIPE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	124.80 (enhanced from 24.00)	CARE BBB- (Triple B Minus)	Reaffirmed
Short term Bank Facilities	55.00 (enhanced from 1.00)	CARE A3 (A Three)	Reaffirmed
Total Facilities	179.80 (Rupees one hundred seventy nine crore and eighty lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of Swastik Pipe Ltd (SPL) derive strength from the extensive experience of the 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, its diversified product portfolio and client base.

These ratings strengths are, however, partially offset by limited value addition in its finished product leading to low profitability margins, its working capital intensive nature of operations and cyclical nature associated with the steel industry.

Going forward, SPL's ability to achieve the envisaged revenue and profitability and effectively manage its working-capital requirements and debt protection metrics would be the key rating sensitivities

Background

Swastik Pipe Limited (SPL) 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 is promoted by Mr D N Bansal, son in law of Mr B C Jindal. SPL has two manufacturing plants located in Bahadurgarh (Haryana) and Kotwan (Uttar Pradesh) with a 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. The company markets its products through a mix of dealer network and sales to EPC contractor/institution sales.

During FY15 (refers to the period April 01 to March 31), SPL has reported total operating income of Rs.685.74 crore with PAT of Rs.3.59 crore. Also, during 9MFY16 (provisional), the company has reported total operating income of Rs.466.64 crore.

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

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor 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 in addition to the financial performance and other relevant factors.

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