

Swastik Pipe Limited

March 25, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	124.80	CARE BB; Stable ISSUER NOT COOPERATING* (Double B; Outlook: Stable)	Issuer not cooperating; Revised from CARE BBB-; Stable; Issuer Not Cooperating on the basis of best available information
Short-term Bank Facilities	55.00	CARE A4; ISSUER NOT COOPERATING* (A Four)	Issuer not cooperating; Revised from CARE A3 Issuer Not Cooperating on the basis of best available information
Total facilities	179.80 (Rupees One Hundred Seventy Nine Crore and Eighty Lakh Only)		

*Details of instruments/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 January 07, 2020, January 08, 2020, January 09, 2020, January 10, 2020, February 06, 2020, February 07, 2020, March 17, 2020, March 20, 2020 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 ratings on SPL's bank facilities will now be denoted as **CARE BB; 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 ratings of 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 during FY19, 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 cyclicity associated with the steel industry.

Detailed description of the key rating drivers

At the time of last rating on October 04, 2018 the following were the rating strengths and weaknesses:

Key Rating Weakness

Working capital intensive nature of business operations

The company has a working capital intensive nature of business operations as exhibited by operating cycle of 83 days. The company has to maintain adequate inventory levels resulting in high average inventory period of 50 days in FY19. The higher inventory holding levels coupled with high collection period and low creditor days has resulted in a high operating cycle.

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

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

*Issuer did not cooperate; Based on best available information

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.

Moderate Financial Risk Profile

SPL has moderate financial risk profile characterised by average profitability indicators, moderate capital structure and debt coverage indicators. Although, the company's operating income has improved y-o-y by 9.61% during FY19 but profitability margins has declined to 4.45% during the period. The margins remain low because of the limited value addition in the product of the company. Also, the company's overall gearing and total debt to GCA have moderated as on March 31, 2019 owing to relatively higher debt taken.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook to Credit Ratings](#)

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

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.

Key Financial Indicators:

INR. Cr.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	661.60	725.17
PBILDT	29.95	32.26
PAT	3.45	4.65
Overall gearing (times)	1.93	2.15
Interest coverage (times)	1.18	1.16

A: Audited

Status of non-cooperation with previous CRA: IND BBB-; Stable / IND A3 (Issuer Not Cooperating) vide PR dated August 2018 and IVR BBB-; Stable / IVR A3 (Issuer Not Cooperating) vide PR dated October 2019.

Any other information: Not Applicable

Rating History for 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 BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	55.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; Stable; ISSUER NOT COOPERATING* on the basis of 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	124.80	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (04-Oct-18)	1)CARE BBB-; ISSUER NOT COOPERATING* (27-Apr-17)	1)CARE BBB- (16-May-16) 2)CARE BBB- (04-May-16)
2.	Non-fund-based - ST-Bank Guarantees	ST	55.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE A3; Stable; ISSUER NOT COOPERATING* (04-Oct-18)	1)CARE A3; ISSUER NOT COOPERATING* (27-Apr-17)	1)CARE A3 (16-May-16) 2)CARE A3 (04-May-16)

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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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