

Rating Rationale

Ambuja Pipes Pvt Ltd

October 24th 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Ambuja Pipes Private Limited.

Particulars

Facility	Tenure	Amount to be rated	Rating Assigned
Term Loan	Long Term	3.77	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable (Assigns)
Cash Credit		15.95	
Letter of Credit	Short Term	9.25	BWR A4 (Pronounced as BWR Single A Four)
Total		28.97	Rupees Twenty Eight Crore Ninety Seven Lakhs only

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the provisional financials of FY16, provisionals for FY17, projected financials up to FY19, publicly available information and information/clarifications provided by the Company.

The rating of Ambuja Pipes Pvt Ltd derives comfort from experience of the Promoters in the industry, consistent improvement in topline, profitability margins and liquidity. The assigned rating, however, is constrained by moderate scale of operations, high gearing, unorganized and highly fragmented nature of business, exposure to raw material price fluctuation risk and competition from substitutes like PVC pipes.

Credit Strengths:

- **Experience of Directors:** The Promoter of the company has an experience of more than 2 decades in the business. He is now ably supported by his son.
- **Consistent improvement in the top line:** There has been a consistent improvement in the top line. The revenue of the company has improved from Rs. 74.07 Cr. In FY16 to Rs. 81.36 Cr. FY17 i.e. 10% growth in the revenue.
- **Improvement in Profitability Margins:** The profitability margins have also improved Y-o-Y by more than 10%. The OPM and NPM have increased from 8.28% and 0.71% in FY16 to 9.45% and 1.14% in FY17.

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- **Improvement in Liquidity:** Liquidity position of the company has also improved in FY17 to 1.37 times from 1.32 times in FY16.

Credit Weaknesses:

- **Moderate Scale of Operations:** Although there is a growth in topline, the scale of operations is still moderate.
- **High Gearing:** The gearing ratio i.e. Debt/ Equity is on a higher side. Although it has not deteriorated further in FY17 from FY16 and is being maintained at almost same level at 3.34 times in FY17 vis-a-vis 3.28 in FY16.

Rating Outlook: Stable

BWR believes the Ambuja Pipes Pvt Ltd's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Ambuja Pipes Pvt Ltd was incorporated in 1999 as a Private Limited company. The Registered and Corporate Office of the company is in Jaipur. The company is manufacturing ERW pipes, GI Pipes and PSR (Pressed Steel Radiators). The manufacturing facility is also in Jaipur. The company is managed by Mr. Vishnu Kumar Agarwal, the founder director, and his son Mr. Bharat Agarwal. Company's major raw material is HR Coil and ZINC. Presently the plant is running at 85% of its installed capacity in 2 shifts.

Company Financial Performance

	Unit	FY16	FY17 (Prov)
Net Sales/Revenues	Rs. in Cr	74.07	81.36
EBIDTA	Rs. in Cr	6.13	7.69
PAT	Rs. in Cr	0.53	0.92
Tangible Networkth	Rs. in Cr	9.59	10.52
Total Debt : TNW	Times	3.28	3.34
Current Ratio	Times	1.32	1.37

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	2016	2015	2014
1	Term Loan	Long Term	3.77	BWR BB- Outlook : Stable (Assigns)	NA	NA	NA
2	Cash Credit		15.95				

3	Letter of Guarantee	Short Term	9.25	BWR A4 (Assigns)			
			Rs. 28.97 Crores (INR Twenty Eight Crore Ninety Seven Lakhs Only)				

Status of non-cooperation with previous CRA (if applicable) – NA

Any other information – NIL

Hyperlink/Reference to applicable Criteria

- [Approach to Financial Ratios](#) [General Criteria](#)
- [Manufacturing Companies](#) [Short Term Debt](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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