



Rating Rationale

Ambuja Pipes Pvt Ltd

20 Aug 2019

Brickwork Ratings Upgrade the Long Term Ratings and Reaffirmed Short Term Rating for the Bank Loan Facilities of ₹. 41.69 Crores of Ambuja Pipes Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (24.10.2017)	Present
Fund based Cash Credit Limit Term Loan (O/S)	15.95 3.77	24.45 7.99	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable Upgraded
Non Fund Based ILC/FLC	9.25	9.25	Short Term	BWR A4 (Pronounced as BWR Single A Four)	BWR A4 (Pronounced as BWR Single A Four) Reaffirmed
Total	28.97	41.69	INR Forty One Crores Sixty Nine Lakhs Only		

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

Ratings: Long Term Rating Upgraded to BWR BB & Short Term Rating Reaffirmed at BWR A4 for the bank loan facilities of Ambuja Pipes Private Limited(the company).

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Firm's audited financial results upto FY18, Provisional Financials FY19 and available information and clarification provided by the Company. The ratings draw strength from the extensive experience of the promoters in manufacturing of Pipe business, Improvement in revenues Y-O-Y., and Moderate Profitability Margins along with Satisfactory current ratio. The ratings, however, is constrained by high gearing level, and Elongated Conversion Cycle. Going Forward the ability of the firm to improve its gearing level, and its elongated working capital cycle would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

1. **Experienced Promoters & Long track record of business:** The promoters of the company has rich experience of more than Twenty years in the Pipes Business. The firm has a track record of more than 20 Years that helps them to maintain a better healthy relations with their customers and suppliers.
2. **Improvement in Revenues Y-O-Y;** The Company revenues has improved from Rs 82.43 crores in FY17 to Rs 93.04 crores in FY18 and further the company has achieved revenues of Rs 104.92 crores in FY19 (Provisional).
3. **Moderate Profitability Margins Along with satisfactory current ratio:** The company has moderate profitability margins with Operating Profitability Margins of 7.23% and Net Profitability Margins of 1.04% in FY18, Further It has improved to 8.47% and 1.73% in FY19 (Provisional). The company has satisfactory current ratio of 1.41 Times in FY18.

Credit Weakness:

1. **High Gearing Level:** The company has high gearing level with TD/TNW of 3.94 Times and TOL/TNW of 4.98 Times in FY19, It has further improved to 3.68 Times and 4.74 Times in FY19.
2. **Elongated Conversion Cycle :** The company has elongated conversion cycle of 108 days due to high days receivables of 84 days in FY18.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Support from Holding/Subsidiary Firm:

The Firm has nil associate concern or subsidiary concern.

Liquidity

The Company has Cash & Bank Balances of Rs 0.34 crores in FY18. Current ratio was at 1.41 times in FY18. Average working capital utilization for the six months period (January 2019 to July 2019) is 99% for cash credit limit. The conversion cycle has been 108 days in FY18. The Company has long term debt of Rs 18.42 crores as at FY18. The company has current maturities of long term debt of Rs 4.61 crores in



FY19. The firm has generated net cash from operations of Rs 3.57 crores in FY18. The Firm ISCR at 1.37 times and Debt Service Coverage Ratio of 0.83 Times as on March 31 2018.

Rating Outlook: Stable

BWR believes the **Ambuja Pipes Pvt Ltd** 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 Private Limited is incorporated in 1999 as a Private Limited company. The registered and corporate office of the company is in Jaipur. The company is in the manufacturing of ERW pipes, GI Pipes, 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 Financial Performance

Total operating income (TOI) of the company has Improved from Rs 82.43 Cr in FY17 to Rs 93.04 Cr. in FY18. The company has achieved revenues of Rs 104.92 crores in FY19. PAT has improved from Rs 0.92 Cr in FY17 to Rs. 0.97 Cr in FY18.

Key Financial Indicators

Key Parameters	Units	FY18 (A)	FY17 (A)
Result Type			
Operating Revenue	₹ Cr	93.04	82.43
EBITDA	₹ Cr	6.72	7.59
PAT	₹ Cr	0.97	0.92
Tangible Net worth	₹ Cr	11.48	10.51
TOL:TNW	Times	4.98	4.96
Current Ratio	Times	1.41	1.34

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
	Fund Based Cash Credit Limit Term Loan (O.S)	Long Term	24.45 7.99	BWR BB (Pronounced as BWR Double B) Outlook: Stable Upgrade	NA	BWR BB- (Pronounced as BWR Double BB Minus) Outlook : Stable	NA
	Non Fund Based ILC/FLC	Short Term	9.25	BWR A4 (Pronounced as BWR Single A Four) Reaffirmed	NA	BWR A4 (Pronounced as BWR Single A Four)	NA
	Total		41.69	Forty One Crores Sixty Nine Lakhs ₹ Only			

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

Any other information : Nil

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



Analytical Contacts	Investor Contacts
<p>V K Kukreja Associate Director - Ratings B : +91 11 2341 2232 kukreja.vk@brickworkratings.com</p> <p>Aman Sharma Ratings Analyst B : +91 172 5032 295 / 6 aman.s@brickworkratings.com</p>	<p>Satish Nair Director - Global Market Development & Investor Relations M : +91 7738875550 B : +91 22 6745 6666 satish.n@brickworkratings.com</p>
1-860-425-2742	

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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