

Rating Rationale

Jaya Spun Pipes

20Feb2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹.5.50 Crores of Jaya Spun Pipes.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*		
	Previous	Present		Previous (Feb, 2017)	Previous (Aug, 2018)	Present
Fund based Cash Credit	3.00	3.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable	Rating Not Reviewed	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable [Reaffirmed]
Non Fund Based Bank Guarantee	2.50	2.50	Short Term	BWR A4 (Pronounced as BWR Single A Four)		BWR A4 (Pronounced as BWR Single A Four) [Reaffirmed]
Total	5.50	5.50	INR Five Crores and Fifty Lakhs Only			

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

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied upon the audited financials up-to FY18, provisionals till Oct 2018 certified by CA, projected financials of FY19, publicly available information and the information/clarifications provided by the management.

The rating draws strength from the experience of the proprietor, low gearing ratio, satisfactory interest coverage ratio and established track record. However, the ratings are constrained by small scale of operations with revenue decline, reduced profitability margins, , inherent risk, working capital intensive nature of operations and highly competitive nature of industry.



Description of Key Rating Drivers

- **Credit Strengths:** Proprietor of the firm is having more than 25 years of experience, gearing ratio is at 0.53 times in FY18, interest coverage ratio is at 2.75 times in FY18 and the firm is in existence since 1993
- **Credit Risks:** Revenue declined from 23.25 Crs in FY17 to Rs. 21.22 Crs in FY18, net & operating profit margins decreased from 12.99% & 11.38% in FY17 to 11.05% & 7.25% in FY18, and inherent risk of the firm being proprietorship concern

Going forward, the ability of the firm to further increase its scale of operations with improved revenues, profits and profitability margins and efficiently manage its working capital will be the key rating sensitivities.

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).

Rating Outlook: Stable

BWR believes the **Jaya Spun Pipes** 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 Firm

Jaya Spun Pipes was established in the year 1993 as proprietorship concern by Mr. Ankireddy Ranga Rao. It is engaged in Manufacturing and installation of Reinforced Cement Concrete Pipes (RCC) of both Pressure and Non-Pressure Pipes of various sizes and classes ranging from 300 mm diameter to 1600 mm diameter. The entity has own manufacturing facility in Guntur district, AP with capacity to manufacture 75 pipes per day. The firm is registered as Special Class (Civil) Class-I contractor for various government of Andhra Pradesh for taking up Lift Irrigation works

Firm Financial Performance

The firm has reported a total operating income of Rs.21.22 Crores in FY18 and Rs.23.25 Crores in FY17. Operating and net profit margins reported at 7.25% and 11.05% in FY18 as against 11.38% and 12.99% in FY17. Tangible net-worth stood at Rs.7.29 Crs in FY18. As per provisionals, revenue achieved from April 2018 to Oct 2018 is Rs. 18.88 Crs

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	7.8.2018	20.2.2017	2016
1	Fund Based	Long Term	3.00	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable [Reaffirmed]	Rating Not Reviewed	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable	Not Rated
2	Non Fund Based	Short Term	2.50	BWR A4 (Pronounced as BWR Single A Four) [Reaffirmed]		BWR A4 (Pronounced as BWR Single A Four)	
Total			5.50	₹ Five Crores and Fifty Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)- information not known;

Any other information: Nil

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Rs In Crores	21.22	23.25
EBITDA	Rs In Crores	1.54	2.64
PAT	Rs In Crores	2.35	3.02
Tangible Net worth	Rs In Crores	7.29	6.13
Total Debt/Tangible Net worth	In Times	0.53	0.90
Current Ratio	In Times	2.17	1.67

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)



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

For any other criteria obtain hyperlinks from website

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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, 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.

DISCLAIMER

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