Rating Rationale

Savoir Faire Manufacturing Co. Pvt. Ltd.

26 July 2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 12.00 Crores of Savoir Faire Manufacturing Co. Pvt. Ltd. (SFMC or "the company")

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2018)	Present
Fund based	**12.00**	**12.00**	**Long Term**	**BWR BB** (Pronounced as BWR Double B) **Outlook: Stable**	**BWR BB-** (Pronounced as BWR Double B Minus) **Outlook: Stable Downgraded**
Total	**12.00**	**12.00**	**INR Twelve Crores Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Downgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY18, provisional financials of FY19, publicly available information and information / clarification provided by the company's management.

The rating has positively factored in the promoters' huge experience in the same line of business, a good Networth position of the company along with a moderate financial risk profile. The rating also draws strength from the approved product offerings of the company.
The rating is, however, constrained by declining sales of the company in the past couple of years, a high level of receivables and an elongated conversion cycle. The rating is also affected by the stretched liquidity position of the company and the exposure to crude oil prices which constitutes the raw material for the company.
Going forward, the ability of the company to grow its scale of operations, recover the long due receivables and managing its working capital efficiently will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **A well-experienced management team:** The management of the company is well experienced with most of the top management having almost two decades of experience in the industry.
- **Good Networth position:** The company has a healthy networth position which stood at Rs. 21.56 Crs. as on 31 Mar 2019 (Provisionally) as compared to Rs. 20.76 Crs. a year ago.
- **A moderate financial risk profile:** The company had as on 31 Mar 2019, a low gearing (Total Debt / TNW) of 0.63 times (0.64 times in PY 2017-18) and an overall gearing (TOL/TNW) of 1.17 times in FY19 (1.347 times in FY 2017-18). Also the Interest Coverage ratio (ISCR) was sufficient at 1.79 times as on 31 mar 2019.
- **Product offerings' accreditations:** The company is a prominent player in the manufacturing of PVC & PP-R pipe system in India and its products are approved by Indian Railways, MES, CPWD, state government and central government organizations besides various architects and consultants. The company has entered the international markets with exports to Nepal, Sri Lanka, Yemen, Bhutan and Bangladesh.

Credit Risks:

- **Stagnant & declining scale of operations:** The company's revenues have remained stagnant over the years and have declined marginally over the last couple of years. In FY19 (Provisional) the company posted revenues of Rs. 37.74 Crs. as compared to Rs. 39.17 Crs. in the Previous Year 2017-18.
- **Elongated Cash Conversion cycle:** The company has had an elongated cash conversion cycle over the years. In FY19, the conversion cycle was 296 days as compared to 280 days in FY18 (251 days in FY17). This long conversion cycle in FY19 is mainly on account of a high level of receivable days of 230 days coupled with a high inventory level of 201 days. Due to this stretched conversion cycle, the company's utilization of then Cash credit limit is almost full throughout the year.
- **Stretched liquidity:** The company's receivables have been very high, especially the debtors over 180 days which stood at Rs. 14.16 Crs. as on 31 Mar 2019 (provisional) and overall receivables stood at Rs.21.44 Crs. which is quite high with regard to the company's topline of Rs.37.74 Crs. only in FY19.
- **Exposure to fluctuations:** The company is exposed to fluctuations in the price of raw material which is directly linked to the price of crude oil and foreign exchange rate.

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 **Savoir Faire Manufacturing Co. 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

Savoir Faire Manufacturing Co. Pvt. Ltd.(SFMC) was incorporated in the year 2004 and has its headquarters and marketing office at Patel Nagar, New Delhi. The company is engaged in manufacturing of various pipes such as PVC, PP-R, SWR pipes, agricultural pipes, WWT products etc. The company has a manufacturing plant located at Haridwar, Uttarakhand.

Company's Financial Performance

The revenues of the company has been stagnant over the years and has even declined in the last couple of years. As per the management, this decline in topline is due to the company's shift in focus from increasing turnover to selling to quality clients with less realisation period. The company's networth position has been healthy over the years. The gearing of the company was low as on 31 mar 2019 at 1.17 times (TOL/TNW). The interest coverage ratio was moderate at 1.79 times as on 31 Mar 2019.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Feb, 2018	2017	2016
I	**Fund Based**	Long Term	12.00	**BWR BB-** (Pronounced as BWR Double B Minus) Outlook: Stable Downgraded	**BWR BB** (Pronounced as BWR Double B) Outlook: Stable Reaffirmed	**BWR BB** (Pronounced as BWR Double B) Outlook: Stable	**NA**
	Total		**12.00**	**₹ Twelve Crores Only**			

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

Key Financial Indicators

Key Parameters	Units	2019	2018
Result Type		**Provisional**	**Audited**
Operating Revenue	₹ Cr	37.74	39.17
EBITDA	₹ Cr	3.44	3.39
PAT	₹ Cr	0.79	0.80
Tangible Net worth	₹ Cr	21.56	20.76

Total Debt/Tangible Net worth	Times	0.63	0.64
Current Ratio	Times	1.68	1.59

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**

Analytical Contacts	Investor Contacts
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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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