



Press Release

Swastik Pipe Limited

May 06, 2024

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Term Loan	22.74 * (Reduced from Rs.27.95 crore)	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Cash Credit	70.81	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Cash Credit	20.00 (Proposed Limit)	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities – ILC/FLC/ BG	79.24 (including proposed limit of Rs.14.24 crore)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Short Term Bank Facilities – ILC/FLC/ BG	5.76 (Proposed Limit)	IVR A3 (IVR A Three)	Assigned	Simple
Total	198.55 (Rupees One hundred and ninety-eight crore and fifty-five lakhs only)			

#Outstanding as on February 29, 2024

Details of Facilities are in Annexure 1

Detailed Rationale

The assignment and reaffirmation of the ratings to the bank facilities of Swastik Pipe Limited (SPL) continues to derive comfort from long track record of its operations under experienced top management, diversified product portfolio and established relationship with customers and suppliers. The ratings also consider its comfortable capital structure; albeit moderation in debt coverage indicators in FY2023. The rating also positively notes the growth in scale of operations in FY2023 and subsequently H1FY2024. However, these rating strengths continues to remain partially offset by working capital intensive nature of its operations and exposure to cyclicity associated with the steel industry.

Key Rating Sensitivities:

Upward factors

- Sustained growth in scale of operations with improvement in profitability and gross cash accruals



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- Improvement in capital structure and improvement in debt protection metrics with improvement in interest coverage to over 2.0x.
- Improvement in operating cycle and overall liquidity position of the company.

Downward Factors

- Deterioration in scale of operations and/or moderation in profitability resulting in moderation in ICR to below 1.50x
- Moderation in the capital structure with overall gearing deteriorated above 1.5x
- Any large debt funded capital expenditure and/or further elongation of the working capital cycle leading to deterioration in the financial risk profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced top management

SPL was incorporated in 1973 by Late Mr. Devki Nandan Bansal who had vast experience of over 50 years in this industry. His son, Mr. Sandeep Bansal, is currently the Managing Director of the company. He is a postgraduate in Business Management and has around 30 years of experience in the industry. Other members of the board are also well-qualified and have more than two decades of overall industry experience.

Long track record of operations and established relationship with customers and suppliers

SPL has an operational track record of over four decades in the steel pipes and tubes industry. Long standing presence in the industry has helped the Company establish healthy relationships with both customers and suppliers. While the company procures HR coil, its primary raw material from Tata Steel and SAIL, it sells its products to a diversified customer base. The top ten customers contributed ~40% and ~36% of the total sales of the Company in FY2023 and 9MFY2024 respectively. The Company is likely to benefit from its established presence as well as healthy relationship with both customers and suppliers going forward.

Diversified product portfolio

SPL has a diversified product portfolio comprising of galvanized pipes, black pipes, CR coils, precision pipes, tubular poles and mounting structures. These products have varied industrial uses and are widely used for irrigation & sewage, water supply & plumbing, oil & gas and automobiles. The company sells all its products under its registered brand "T.T. Swastik".

Growth in scale of operation in FY2023 and in H1FY2024



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Total operating income of the company registered a y-o-y growth of ~17% in its total operating income from Rs.608.71 crores in FY22 to Rs.711.32 crore in FY23 driven by steady improvement in volume sales as well as average sales realisation owing to rising demand of the main product manufactured by the company i.e., Steel pipes, CR/HRPO (Steel Coil and Sheets) and ST Poles. In H1FY24, the company has achieved a topline of ~Rs.362 crore. Further, the company estimated to achieve a top line of ~Rs.744 crore in FY2024. The EBITDA margin of the company moderated marginally from 4.23% in FY22 to 3.84% in FY23 mainly due to an increase in raw material cost and other operational and administrative overheads. Consequently, the PAT margin moderated from 4.56% in FY22 to 1.26% in FY23. SPL generated a PAT of Rs.4.10 crore on a TOI of Rs.361.68 crore during H1FY2024 as against a PAT of Rs.0.45 crore on a top line of Rs.313.07 crore during H1FY2023. The improvement in topline and profit in FY2024 fiscal year is in view of steady demand resulting in an increase in volume sales. Also, the increase in scale of operations have resulted in better absorption of fixed overheads thereby leading to increase in profit margins. The company's ability to sustain the growth in its topline while improving its profit margins will be a key rating monitorable, going forward.

Comfortable capital structure; albeit moderate debt coverage indicators

The capital structure of the company remained comfortable as on March 31, 2023, marked by its comfortable leverage ratios and satisfactory tangible net worth base. The leverage ratios, continued to remain comfortable and improved driven by continues accretion of profit to reserves along with scheduled repayment of term loans. The long-term debt equity ratio and overall gearing ratio stood comfortable at 0.18x and 0.59x respectively as on March 31, 2023 (0.23x and 0.95x respectively as on March 31, 2022). Total indebtedness of the company remained comfortable marked by TOL/TNW at 0.83x as on March 31, 2023. However, the debt protection metrics of the company as indicated by interest coverage ratio though improved continues to remain moderate at 1.67x in FY23 vis-a-vis 1.35x in FY22. Total debt to EBITDA and Total debt to GCA remained moderate at 4.68x and 7.62x respectively as on March 31, 2023 (5.41x and 5.39 years respectively as on March 31, 2022).

Key Rating Weaknesses:

Working capital intensive operations

The operating cycle of the company though improved to 99 days in FY2023 (116 days in FY2022) continues to remain moderate. The company sells its products to traders, EPC Contractors, tier 2 vendors of OEM's such as Maruti, Bajaj, MNC's as well as Government



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institutions. While payment from traders, EPC Contractors, vendors of OEM are received in 7-30 days' time, payment from Government is at times stretched up to 5-6 months. Also, the company maintain inventory of around 40-45 days as a regular business practice. Further, the company avails a credit of around 20-30 days from some of its raw material suppliers. The average utilization of fund based working capital limits for twelve months through February 2024, stood high at ~95%.

Exposure to cyclicity associated with the steel industry

The primary raw material for the company is HR coil, the prices of which have been volatile in nature. Hence, operating margin and realisations are susceptible to volatility in steel prices. Also, 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.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Policy of default recognition](#)

[Criteria – Complexity Level of Rated Instruments/Facilities](#)

Liquidity: Adequate

SPL has adequate liquidity marked by its comfortable expected cash accruals over the medium term as against debt repayment obligations. The company has a strong gearing headroom as the overall gearing remained comfortable at 0.59x as on March 31, 2023 (considering subordinated unsecured loans of Rs.7.96 crore outstanding as on March 31, 2023, as quasi equity). However, the company's operations are working capital intensive and the average utilization of fund based working capital limits for the past twelve months through February 2024, stood at ~95%. The current ratio stood comfortable at 2.20x as on March 31, 2023.

About the Company

Incorporated in 1973, New Delhi based Swastik Pipe Ltd (SPL), manufactures wide varieties of Mild Steel/Carbon Steel ERW Black and Galvanized Pipes/ Tubes and tubular poles, which have diversified industrial use such as for irrigation & sewage, water supply & plumbing, oil & gas and automobiles. All the products of the Company are sold under its registered brand



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“T.T. Swastik”. The manufacturing facilities of the Company are located at Bahadurgarh (Haryana) and Kosi Kalan (Uttar Pradesh). The combined annual installed production capacity of both the manufacturing facilities is 250,000 MT. The company has listed itself in National Stock Exchange under SME Platform from October 12, 2022.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	608.71	711.32
Total Income	612.20	717.13
EBITDA	25.77	27.29
PAT	27.94	9.06
Total Debt	139.37	127.75
Tangible Net worth (including quasi equity)	146.96	216.28
EBITDA Margin (%)	4.23	3.84
PAT Margin (%)	4.56	1.26
Overall Gearing Ratio (x)	0.95	0.59

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

India Ratings vide its press release date July 24, 2023 has maintained the rating in issuer not cooperating category due to non-submission of information by the company.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	
					April 04, 2023	-	March 22, 2022	September 21, 2021
1	Term Loan	Long Term	22.74 * (Reduced from Rs.27.95 crore)	IVR BBB-/Stable	IVR BBB-/Stable	-	IVR BBB-/Stable	IVR BB+/Stable
2	Cash Credit	Long Term	70.81	IVR BBB-/Stable	IVR BBB-/Stable	-	IVR BBB-/Stable	IVR BB+/Stable
3	ILC/FLC/BG	Short Term	79.24 (including proposed limit of Rs.14.24 crore)	IVR A3	IVR A3	-	IVR A3	IVR A4+



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					April 04, 2023	-	March 22, 2022	September 21, 2021
4	Cash Credit	Long Term	20.00 (Proposed Limit)	IVR BBB-/Stable	-	-	-	-
5	ILC/FLC/BG	Short Term	5.76 (Proposed Limit)	IVR A3	-	-	-	-

#Outstanding as on February 29, 2024

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About Infomerics Ratings:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	March 2028	22.74 * (Reduced from Rs.27.95 crore)	IVR BBB-/Stable
Cash Credit	-	-	-	70.81	IVR BBB-/Stable
ILC/FLC/ BG	-	-	-	79.24 (including proposed limit of Rs.14.24 crore)	IVR A3
Cash Credit	-	-	-	20.00 (Proposed Limit)	IVR BBB-/Stable
ILC/FLC/ BG	-	-	-	5.76 (Proposed Limit)	IVR A3

#Outstanding as on February 29, 2024

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SwastikPipe-may24.pdf>

Annexure 3: List of companies/Entities considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.