

February 07, 2017

PTPL Tubing & Products Pvt. Ltd

Instrument*	Rated Amount (in crore)	Rating Action
Cash Credit	6.00	[ICRA]BBB-(Stable); assigned
Term Loan	13.00	[ICRA]BBB-(Stable); assigned
Total	19.00	

*Instrument Details are provided in Annexure-1

Rating Action

ICRA has assigned the long term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the Rs. 19.00 crore bank facilities of PTPL Tubing & Products Pvt. Ltd.; (PTPL). The outlook on the rating is 'Stable'.

Rationale

The assigned rating takes into account the extensive experience of the promoters in the refrigeration industry, helping the company to maintain healthy relationships with the customers as well as the suppliers as well as company's agreement with its top customer, STI Sanoh (Sanoh). The rating also factors in the healthy liquidity position of the company as reflected in the low utilisation of working capital limit and healthy financial profile despite of regular capex incurred for enhancing the capacity and for the up gradation of the machines. The operating margins of the company stood strong at 22.56%; PAT margins at 6.41%; gearing at 0.55 times; Total Debt/OPBDITA at 1.53 times and Net cash accruals/Total debt at 43% as on March 31, 2016. Since large part of PTPL manufacturing is utilised for the job work for Sanoh, its working capital requirements remain limited while operating margin seems higher.

However, the rating is constrained by the modest scale of operations and high customer concentration risk as 74% of the total sales are derived from Sanoh. The rating is also constrained due to high competitive intensity thus, limiting the pricing power of the companies and affecting their margins. PTPL's volumes are also sensitive to the performance of the fast moving consumer goods.

The company's ability to expand its customer base and maintain its margins will be the key sensitivity. Any sizable debt-funded capital expenditure, beyond the planned one, will be closely monitored.

Key rating drivers

Credit Strengths

- Experienced promoters with presence of more than 20 years in refrigeration industry
- Healthy liquidity position as reflected in low utilisation of working capital
- Healthy financial profile as reflected by strong operating and profitability margins; low gearing and strong debt coverage indicators

Credit Weakness

- Modest scale of operations
- Customer concentration risk as 74% of the total sales to Sanoh during FY2016 however established relationship and long association mitigates the risk to some extent
- Fragmented nature of industry leading to high competitive intensity
- Vulnerability to foreign exchange fluctuation risk

Description of key rating drivers highlighted above:

The promoters of the company have been involved in refrigeration business since 20-30 years and possess extensive experience which helps the company to maintain healthy relationships with the customers as well as the suppliers. Further, the liquidity position of the company has remained healthy as reflected in the low



utilisation of the working capital limit. The company has sufficient liquidity cushion available as the average per month working capital utilisation of the company is ~20%. ICRA also favourably factors in healthy financial profile as reflected by strong operating and profitability margins; low gearing and strong debt coverage indicators.

The rating is constrained by the modest scale of operations of the company. However, the actual sales the actual value of the job work is ~3 times of the job work receipt as the company only includes the job work charges in the Profit & Loss account. The company excludes the raw material expenses and the respective sales value of single walled tube which the company manufactures for STI Sanoh as the net value of the total expenses (raw material, marketing, administrative and interest cost) on this job work sales and total sales value is negligible hence the company only accounts the job work receipt instead of the whole job work value. The customer concentration risk of the company is high as 74% of the total sales is to STI Sanoh India Private Limited during FY2016 however established relationship and long association with STI Sanoh India Private limited mitigates the risk to some extent. Further, the fragmented nature of industry leads to high competitive intensity. The company is also exposed to vulnerability to foreign exchange fluctuation risk.

Analytical approach: Standalone financials

Links to applicable Criteria

Corporate Credit Rating –A Note on Methodology

<http://www.icra.in/Files/Articles/2009-October-Rating-Corp-Rating-Methodology.pdf>

About the Company:

Incorporated in 1987, PTPL Tubing & Products Pvt. Ltd. (PTPL) is engaged in the manufacturing of single walled (SW) steel tube, double walled (DW) steel tube, condenser and wire rod at its manufacturing facility located at Dewas, Madhya Pradesh with the installed capacity of 7,200 MTPA of SW tube, 24,00,000 MTPA of condenser and 2,400 MTPA of wire rod. The majority of the sales of the company are to a single player STI Sanoh India Private Limited for which the company does the job work.

As per the audited financials of 2015-16, PTPL reported a net profit of Rs. 1.90 crore on an operating income (OI) of Rs. 29.61 crore as against a net profit of Rs. 2.67 crore on an OI of Rs. 32.94 crore in 2014-15.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:
Table: Rating History

S · N o	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating in FY2016	Month-year & Rating in FY2015	Month-year & Rating in FY2014
				February 2017			
1	Cash Credit	Long Term	6.00	[ICRA]BBB-(Stable)	NA	NA	NA
2	Term Loan	Long Term	13.00	[ICRA]BBB-(Stable)	NA	NA	NA

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Cash Credit	-	-	-	6.00	[ICRA]BBB- (Stable)
Term Loan 1	Feb-12	12.40%	17-Aug	1.74	[ICRA]BBB- (Stable)
Term Loan 2	Mar-14	12.40%	19-Mar	1.2	[ICRA]BBB- (Stable)
Term Loan 3	Mar-15	12.40%	21-Mar	3.93	[ICRA]BBB- (Stable)
Term Loan 4 (Proposed)				6.13	[ICRA]BBB- (Stable)

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