April 05, 2021

Tijaria Polypipes Limited: Ratings assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based/CC	5.00	[ICRA]B (Stable); assigned
Long term - Fund based/TL	56.27	[ICRA]B (Stable); assigned
Short term - Non-fund based	5.00	[ICRA]A4; assigned
Total	**66.27**	

**Instrument details are provided in Annexure-1*

Rationale

The assigned ratings favourably consider Tijaria Polypipes Limited's (TPL) diversified product portfolio comprising high-density polyethylene (HDPE) pipes, low-density polyethylene (LDPE) pipes, polyvinyl chloride (PVC) pipes, and mink blankets. ICRA also notes the company's association with a reputed customer base including Tata Projects Limited, Larsen & Toubro Limited etc. However, the ratings remain constrained by the company's small scale of operations and high customer-concentration risk. Further, while in FY2019 the company's revenues increased by over 90%, albeit on a small base, the top line deteriorated by ~50% in FY2020 due to lower order inflow and limited working capital availability. ICRA also notes TPL's weak financial performance in 9M FY2021 amid the Covid-19 pandemic. The company reported a YoY revenue decline of ~36% in 9M FY2021. With the sharp drop in revenues, it suffered losses at the operating level as well as net loss in 9M FY2021. ICRA also notes that the company has opted for a loan restructuring relief under the resolution framework for Covid-19-related stress specified by the Reserve Bank of India (RBI). This has enabled TPL to maintain a liquidity buffer to meet its operating costs and interest obligations on working capital till the moratorium period. ICRA also notes the stressed cash flows of the company due to continuing losses as well as increase in working capital intensity due to stretched receivables. The rating also notes the vulnerability of profitability to raw material price risk as well as stiff competition from established as well as unorganised players, which limits its bargaining power with customers.

The Stable outlook on the [ICRA]B rating reflects ICRA's opinion that TPL will continue to benefit from its long track record of operations.

Key rating drivers and their description

Credit strength

Long track record of promoters and TPL in polymer business – TPL was incorporated in 2006 by the conversion of a partnership firm (named Tijaria Overseas Vinyl), which was established in 2000. The company manufactures high-grade HDPE, PVC plastic pipes and sprinkler systems under the brand names of Tijaria and Vikas. In addition, TPL operates a textile division, wherein it manufactures mink blankets. The company has executed various Government projects over the years. The promoters have been in the business for almost two decades now.

Credit challenges

Small scale of operations – TPL's scale of operations is small with revenues of Rs. 73.45 crore in FY2020. Moreover, the company's top line deteriorated to Rs. 38.53 crore in 9M FY2021 owing to the pandemic.

Weak financial risk profile – The company's financial risk profile remains weak, marked by modest net worth position of Rs. 20.89 crore as on March 2020 due to accumulated losses resulting in elevated gearing as well as TOL/TNW levels. Furthermore, the company was under the non-performing asset (NPA) status till March 2019 because of poor liquidity. However, the payment to lenders has been timely since April 2019. Further, the company has availed moratorium and has also undergone debt restructuring resolution framework for Covid-19-related stress specified by the RBI. While the debt restructuring has eased its financial burden in the medium term, its liquidity remains stretched.

High working capital intensity – TPL has remained highly dependent on short-term working capital limits over the years, which have remained fully utilised. This, together with high inventory levels and stretched receivables, is likely to keep the liquidity position stretched in the medium term. Given its small balance sheet size, any large write-off would adversely impact its overall credit profile. While the company has seen some movement in its debtor levels in the recent months, the sustainability of the same remains to be established.

High customer-concentration risk coupled with intense industry competition – The customer concentration remains high in the pipe division with the top five customers accounting for ~80% of its total revenue in the pipes division.

Profitability indicators exposed to volatility in raw material prices – The company's revenues and margins are exposed to price fluctuation of key raw materials such as PVC resin and HDPE/LDPE granules. Any adverse movement in the price of raw materials could have an adverse impact on the company's margins, considering the limited value addition and intense competition.

Liquidity position: Poor

TPL's liquidity position is poor, as reflected by near-full utilisation in its fund-based working capital limits in the past 12 months. Although the company has seen some movement in its debtor levels in the recent months, the sustainability of the same remains to be established.

Rating sensitivities

Positive factors – The ratings may be upgraded if TPL's scale and profitability increase on a sustained basis. Further, reduction in its working capital intensity improving its liquidity position could result in a ratings upgrade.

Negative factors – ICRA would downgrade TPL's rating in the event of continued pressure on its liquidity, which could affect its debt servicing capabilities.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone

About the company

Tijaria Polypipes Limited (TPL) was incorporated in 2006 by the conversion of a partnership firm (named Tijaria Overseas Vinyl), which was established in 2000. The company manufactures high-grade HDPE, PVC, MDPE and LDPE plastic pipes and sprinkler systems under the brand names of Tijaria and Vikas. Its products are used in irrigation, telecommunication, industrial, infrastructure and housing sectors. In addition, the company operates a textile division, wherein it manufactures mink blankets. The manufacturing units of the company is located at Jaipur, Rajasthan.

Key financial indicators (audited)

	FY2019	FY2020
Operating Income (Rs. crore)	149.5	73.4
PAT (Rs. crore)	6.2	-2.5
OPBDIT/OI (%)	13.3%	12.0%
PAT/OI (%)	4.1%	-3.4%
Total Outside Liabilities/Tangible Net Worth (times)	4.2	3.6
Total Debt/OPBDIT (times)	2.7	5.7
Interest Coverage (times)	2.5	1.4

Source: Company, ICRA Research; All ratios as per ICRA calculations; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating	FY2021	FY2020	FY2019
					April 5, 2021	-	-	-
1	Fund based/CC	Long term	5.00	-	[ICRA]B (Stable)	-	-	-
2	Fund based/TL	Long term	56.27	56.27	[ICRA]B (Stable)	-	-	-
3	Non-fund based	Short term	5.00	-	[ICRA]A4	-	-	-

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: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Long term – Fund based/CC	November 2020	-	-	5.00	[ICRA]B (Stable)
-	Long term - Fund based/TL	November 2020	-	FY2029	56.27	[ICRA]B (Stable)
-	Short term - Non-fund based	November 2020	-	-	5.00	[ICRA]A4

Source: TPL

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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