

Rating Advisory

December 27, 2022 | Mumbai

Rex Pipes And Cables Industries Limited

Update as on December 27, 2022

This rating advisory is provided in relation to the rating of Rex Pipes And Cables Industries Limited

The key rating sensitivity factors for the rating include:

Upward factors:

- * Growth in revenue and sustenance of operating margin
- * Improvement in the financial risk profile, aided by nil major debt-funded capital expenditure

Downward factors:

- * Decline in operating income and fall in operating margin below 6%
- * Further stretch in the working capital cycle, weakening the financial risk profile and liquidity

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Rex Pipes And Cables Industries Limited (RPCI) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If RPCI continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

Incorporated in 2002 and promoted by Mr Shrawan Kaler, RPCI (erstwhile Kaler Electricals Pvt Ltd) trades in water pumps, flat cables and pipes. The company started manufacturing polyvinyl chloride (PVC) and high-density polyethylene (HDPE) pipes and electrical cables in June 2011. The manufacturing unit is in Sikar, Rajasthan. Before commencement of manufacturing operations, the company derived its entire revenue from trading.

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Rating Rationale

October 20, 2021 | Mumbai

Rex Pipes And Cables Industries Limited

'CRISIL BB / Stable' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.22 Crore
Long Term Rating	CRISIL BB/Stable (Assigned)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its 'CRISIL BB/Stable' ratings to the bank facilities of Rex Pipes And Cables Industries Ltd (RPCI).

The ratings reflect the extensive experience of the promoter in the pipe and pipe fittings industry and healthy debt protection metrics of the company. These strengths are partially offset by susceptibility to slowdown in end-user industries and to government policies, and large working capital requirement.

Key Rating Drivers & Detailed Description

Strengths

Extensive experience of the promoter:

The promoter's experience of over 10 years in the pipe and pipe fittings industry, understanding of market dynamics and established relationships with suppliers and customers will continue to support the business.

Healthy debt protection metrics:

Debt protection metrics were comfortable despite leverage owing to moderate profitability. Interest coverage and net cash accrual to total debt ratios were 2.75 times and 0.13 time, respectively, in fiscal 2021, and are expected to remain at similar levels over the medium term.

Weaknesses

Susceptibility to slowdown in end-user industries and to government policies:

The company derives majority of revenue from the real estate and infrastructure industries. Severe slowdown in the end-user industries will weaken demand for line pipes and impact performance. Furthermore, revenue is susceptible to government policies, local supply and trade duties.

Large working capital requirement:

Gross current assets were 150-170 days over the three fiscals ended March 31, 2021, and 150 days as on March 31, 2021, driven by large inventory and receivables of 86 and 60 days, respectively.

Liquidity: Stretched

Bank limit of Rs 12.5 crore was utilised 83.95% for the 15 months through August 2021. Expected cash accrual of Rs 3-4 crore per fiscal will comfortably cover yearly debt obligation of Rs 3 crore over the medium term. Cash and bank balance was Rs 0.62 crore, and current ratio was 1.33 times, as on March 31, 2021.

Outlook Stable

CRISIL Ratings believes RPCI will continue to benefit from the extensive experience of the promoter and established relationships with suppliers.

Rating Sensitivity factors

Upward factors:

- * Growth in revenue and sustenance of operating margin
- * Improvement in the financial risk profile, aided by nil major debt-funded capital expenditure

Downward factors:

- * Decline in operating income and fall in operating margin below 6%
- * Further stretch in the working capital cycle, weakening the financial risk profile and liquidity

About the Company

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Key Financial Indicators

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	60.42	32.02
Reported profit after tax (PAT)	Rs crore	1.13	0.77

PAT margin	%	1.87	2.42
Adjusted debt / adjusted networkth	Times	1.75	1.48
Interest coverage	Times	2.75	2.45

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instruments

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity Level	Rating assigned with outlook
NA	Term loan	NA	NA	Sep-22	1.02	NA	CRISIL BB/Stable
NA	Term loan	NA	NA	Mar-24	5.04	NA	CRISIL BB/Stable
NA	Working capital term loan	NA	NA	Mar-24	3.44	NA	CRISIL BB/Stable
NA	Overdraft facility	NA	NA	NA	12.5	NA	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

Instrument	Current			2021 (History)		2020		2019		2018		Start of 2018
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	22.0	CRISIL BB/Stable	07-09-21	Withdrawn (Issuer Not Cooperating)*	13-02-20	CRISIL B+ /Stable(Issuer Not Cooperating)*		--	27-11-18	CRISIL B+ /Stable(Issuer Not Cooperating)*	CRISIL B+ /Stable
			--	19-05-21	CRISIL B+ /Stable(Issuer Not Cooperating)*		--		--		--	--
Non-Fund Based Facilities	ST		--	19-05-21	CRISIL A4 (Issuer Not Cooperating)*	13-02-20	CRISIL A4 (Issuer Not Cooperating)*		--	27-11-18	CRISIL A4 (Issuer Not Cooperating)*	CRISIL A4

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Overdraft Facility	12.5	Baroda Rajasthan Kshetriya Gramin Bank	CRISIL BB/Stable
Term Loan	1.02	Baroda Rajasthan Kshetriya Gramin Bank	CRISIL BB/Stable
Term Loan	5.04	Baroda Rajasthan Kshetriya Gramin Bank	CRISIL BB/Stable
Working Capital Term Loan	1.06	Baroda Rajasthan Kshetriya Gramin Bank	CRISIL BB/Stable
Working Capital Term Loan	2.38	Baroda Rajasthan Kshetriya Gramin Bank	CRISIL BB/Stable

This Annexure has been updated on 20-Oct-2021 in line with the lender-wise facility details as on 20-Oct-2021 received from the rated entity.

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Criteria for rating short term debt](#)

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