

## Press Release

### Rajputana Industries Private Limited

March 17, 2021



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 33.00 crore*
<b>Long Term Rating</b>	ACUITE BBB/ Outlook: Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A3+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs. 33.00 crore bank facilities of Rajputana Industries Private Limited (RIPL). The outlook is '**Stable**'.

#### Rationale for rating upgrade

The rating reaffirmation reflects established track record of operations, sustained business risk profile, reputed and diversified customer portfolio and moderate financial risk profile. On the contrary, the rating takes into account working capital intensive nature of operations, short-term liquidity stretch and highly competitive nature of industry.

Shera Group's scale of operations continue to be at comfortable levels with total operating income of Rs. 425.33 crore in FY2020. SEPL, SMPL and RIPL has reported an operating income of Rs. 250.76 crore, Rs. 156.92 crore and Rs. 131.46 crore during 10MFY2021. Profitability of the group however has decreased marginally marked by an EBITDA margin of 5.95 per cent in FY2020 as against 6.01 per cent in FY2019. However, profitability for the group has shown improvement quarter on quarter basis in the current year. Overall financial risk profile remained moderate with marginal improvement in gearing levels while at the same time registering marginal deterioration in the debt coverage indicators. Working capital operations continued to remain intensive while further deteriorating to 152 days of GCA in FY2020 as against 120 days in the previous year due to high-year end balances due to covid-19 induced lockdown. Cash accruals of the group have remained sufficient to service maturing debt obligations but provide limited cushion for incremental working capital operations.

#### Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of SHERA ENERGY PRIVATE LIMITED (SEPL), SHERA METAL PRIVATE LIMITED (SMPL), RAJPUTANA INDUSTRIES PRIVATE LIMITED (RIPL) and SHERA INFRAPOWER PRIVATE LIMITED to arrive at this rating. The consolidation is on account of common management, presence in the same line of business and significant business and financial synergies between the entities. The group is herein referred to as "Shera Group (SG)". Extent of consolidation: Full.

#### About the Company

Jaipur based, Rajputana Industries Private Limited (RIPL) was incorporated in the year 2011 by Mrs. Shivani Sheikh. The company is engaged in the manufacturing of copper, cooper alloy and cupronickel casted, extruded and drawn products which are billets/ingots, Mother shells, Tubes/pipes, Hollow/solid rods, sections and profiles etc. It has an installed capacity of 9,860 metric tonnes per annum (3,922.00 MTPA and 5,541.58 MTPA i.e. 39.78 per cent and 56.20 per cent utilization in 10MFY2021 and FY2020, respectively).

## About the Group

Shera group (SG) was formed with the establishment of a proprietorship firm, Shera Metals & Engineers in the year 2003 by Mr. Naseem Sheikh. SEPL has three subsidiaries; Shera Metal Private Limited (SMPL), Rajputana Industries Private Limited (RIPL) and Shera Infrapower Private Limited (SIPL). SMPL is engaged in manufacturing of copper bus bar, tin plated copper bus bar, PCC poles, brass rod & wires and paper covered copper strips, with an installed capacity of 9,270 MTPA while RIPL was incorporated with a view to secure a backward integration of its product lines manufactured by SEPL & SMPL through manufacturing of mother tubes of brass (copper and zinc mix) tube, copper nickel (copper nickel mix) tube, and brass rod & section (copper and zinc), with an installed capacity of 9,860 MTPA. SG caters to intermediate product requirements of various industries such as transformers, electric and electronic goods, refinery, construction, capital goods industry, sugar plants, automobile and aviation, to name a few.

## Key Rating Drivers

### **Strengths**

- **Established track record of operations and diversified clientele**

The group is a producer of copper and aluminium winding wires along with other products like bus bars of copper, aluminium and brass, copper, copper alloys & cupronickel casted, extruded and drawn products viz billets/ ingots, mother shells, tubes/ pipes, rods, profiles and sections. The promoters and directors of the group have over a decade of experience in the aforementioned industry. SG caters to the demand of various industries such as LPG valve manufacturing, automobile, forging, marine, power generation and electrical industry, to name a few through its diversified product portfolio.

Due to the group's established track record of operations and management experience, the group has booked the revenue of Rs. 425.33 crore in FY2020 as compared to Rs. 465.50 crore in FY2019 and Rs. 314.42 crore in FY2018. Further, SEPL, SMPL and RIPL have booked revenues of Rs. 250.76 crore, Rs. 156.92 crore and Rs. 131.46 crore, respectively for the 10MFY2021. The group is expected to continue to leverage its well established relationships with reputed clients and suppliers.

Acuité believes that the group will continue to benefit from its established track record of operations and experienced management.

- **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by healthy net worth, moderate gearing levels and average debt protection metrics.

The net worth of the company is moderate at Rs. 81.26 crore as on March 31, 2020. The net worth levels have seen significant improvement over the last three years through FY2020 on account of moderate profitability.

The group has followed a moderately aggressive financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 1.33 times and 2.41 times as on March 31, 2018. The leverage levels however have improved to 1.17 times as on March 31, 2020. The group incurred capex of Rs. 42.58 crore over the last three years to expand its scale of operations, while its incremental working capital requirement over the same period to support the increase in scale of operations has been around Rs. 29.58 crore.

The group has average debt coverage indicators, marked by debt-service-coverage-ratio of 1.02 times as on 31st March, 2020 as against 1.19 times as on 31st March, 2019 and interest coverage ratio of 1.65 times as on 31st March, 2020 as against 1.85 times as on 31st March, 2019. The moderation in debt coverage indicators is on account of greater cost of borrowings and decline in profitability.

Acuité believes that the financial risk profile of the group will continue to remain moderate on

account of absence of any major debt funded capex plan and moderate accretion to reserves.

### **Weaknesses**

- **Working capital intensive nature of operations**

The company has intensive working capital requirements as evident from gross current assets (GCA) of 152 days in FY2020 as compared to 121 days in FY2019. This deterioration is on account of increase in high year-end inventory and debtor balances owing to covid-19 induced lockdown. Debtors' days stood at 81 days for FY2020 as against 70 days in the previous year, while inventory days stood at 62 days as against 44 days for FY2019. Creditors' payment period also increased to 88 days as on 31st March 2020.

This intensive requirement for working capital has led to higher reliance on working capital borrowings. The working capital limits were utilized at an average of 95 to 98 per cent. Further, current ratio of the company stood at 1.14 times for FY2020.

Acuité expects the working capital operations of the group to improve yet remain intensive on account of the level of inventory to be maintained and the credit given to its customers.

- **Highly competitive industry and susceptibility to raw material prices**

Copper & Aluminium are highly competitive industries characterized by low entry barriers, which results in intense competition from the large number of organized and unorganized players present in the downstream segment providing similar products/services. Hence, the bargaining power of company remains low due to competitive nature of the industry. However, the risk is mitigated to an extent on account of established track record of operations. Further, SG's revenue and profitability are susceptible to volatility in copper and aluminium prices.

### **Rating Sensitivity**

#### **Positive**

- Improvement in profitability margins
- Substantial improvement in working capital management

#### **Negative**

- Further deterioration in debt coverage indicators

### **Material Covenants**

None

### **Liquidity: Adequate**

The group has adequate liquidity profile marked by moderate net cash accruals to its maturing debt obligations. However, cash accruals at the same time provide limited cushion to support its incremental working capital operations. The group has generated cash accruals of Rs. 8.57 crore for FY2020, while its maturing debt obligations were Rs. 6.14 crore during the same period. The group's working capital operations are intensive marked by Gross Current Asset (GCA) of 152 days for FY2020. The fund-based working capital limits were fully utilized at an average of 95 to 98 per cent till January 2021. In addition to this, the group has availed COVID-19 moratorium and working capital demand loan under COVID-19 package. The group has Rs. 0.20 crore of unencumbered cash and bank balances as on March 31, 2020. Acuité believes that the liquidity of the group is likely to improve on the back of improvement in profitability margins in the current year, thereby improving cash accruals over the medium term.

### **Outlook: Stable**

Acuité believes that Shera Group will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters, above-average financial risk profile and healthy revenue visibility bolstered by healthy order book position. The

outlook may be revised to 'Positive', if the group demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the group generates lower-than-anticipated cash accruals, most likely as due to significant debt-funded capex or any significant withdrawal of capital, thereby impacting its financial risk profile, particularly its liquidity.

#### About the Rated Entity- Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	425.33	465.50
PAT	Rs. Cr.	4.47	7.20
PAT Margin	(%)	1.05	1.55
Total Debt/Tangible Net Worth	Times	1.17	1.21
PBDIT/Interest	Times	1.65	1.85

#### Status of non-cooperation with other CRA

None

#### Any other information

Not Applicable

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation of companies: <https://www.acuite.in/view-rating-criteria-60.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Rating History (Up to previous three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
February 19, 2020	Cash Credit	Long-term	3.60	ACUITE BBB/ Stable (Assigned)
	Term Loan	Long-term	6.88	ACUITE BBB/ Stable (Assigned)
	Term Loan	Long-term	2.14	ACUITE BBB/ Stable (Assigned)
	Term Loan	Long-term	2.80	ACUITE BBB/ Stable (Assigned)
	Term Loan	Long-term	0.80	ACUITE BBB/ Stable (Assigned)
	Term Loan	Long-term	3.31	ACUITE BBB/ Stable (Assigned)
	Working Capital Demand Loan	Long-term	2.00	ACUITE BBB/ Stable (Assigned)
	Term Loan	Long-term	0.29	ACUITE BBB/ Stable (Assigned)

	Letter of Credit	Short-term	8.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short-term	0.25	ACUITE A3+ (Assigned)
	Proposed fund based facilities	Long-term	2.93	ACUITE BBB/ Stable (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/ Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.60	ACUITE BBB/ Stable (Reaffirmed)
Term Loan-I	October, 2020	Not Applicable	August, 2024	5.81	ACUITE BBB/ Stable (Reaffirmed)
Term Loan-II	May, 2014	Not Available	March, 2022	1.88	ACUITE BBB/ Stable (Reaffirmed)
Term Loan-III	December, 2015	Not Available	March, 2024	2.31	ACUITE BBB/ Stable (Reaffirmed)
Term Loan-IV	April, 2018	Not Available	May, 2026	0.66	ACUITE BBB/ Stable (Reaffirmed)
Term Loan-V	March, 2017	Not Available	February, 2025	3.02	ACUITE BBB/ Stable (Reaffirmed)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB/ Stable (Reaffirmed)
Term Loan	Not Available	Not Available	Not Available	0.25	ACUITE BBB/ Stable (Reaffirmed)
WCDL	Not Applicable	Not Applicable	Not Applicable	3.07	ACUITE BBB/ Stable (Assigned)
Proposed Fund Based Facilities	Not Applicable	Not Applicable	Not Applicable	2.65	ACUITE BBB/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A3+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE A3+ (Reaffirmed)

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### About Acuité Ratings & Research:

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