



Press Release
RAJPUTANA INDUSTRIES PRIVATE LIMITED
June 06, 2023

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	11.44	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	21.75	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	11.25	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	44.44	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of **Acuite BBB (read as Acuite Triple B)** for bank facilities of Rs. 21.75 crore, and the short-term rating of **Acuite A3+ (read as Acuite A Three Plus)** for bank facilities of Rs. 11.25 crore, and assigned the long-term rating of **Acuite BBB (read as Acuite Triple B)** for bank facilities of Rs 11.44 crore of **RAJPUTANA INDUSTRIES PRIVATE LIMITED**. The outlook is 'stable'.

Rating Rationale

Acuite has taken into account the established track record of operations, sustained business risk profile, reputed and diversified customer portfolio and moderate financial risk profile of the company. Shera Group's scale of operations continue to be at comfortable levels with total operating income of Rs 696.39 crores registered in FY 23. However, the operating margins of the group have declined and stood at 4.67 per cent in FY2023. The Overall financial risk profile remained moderate with moderate improvement in gearing levels while at the same time registering marginal improvement in the debt coverage indicators.

About 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, copper alloy and cupronickel casted, extruded and drawn products which are billets/ingots, Mother shells, Tubes/pipes, Hollow/solid rods, sections and profiles etc.

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. Shera Energy Limited (SEL) 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, while RIPL was incorporated with a view to secure a backward integration of its product lines manufactured by SEL & 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). 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.

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of Shera Energy Limited (SEL), 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)".

Key Rating Drivers

Strengths

Experienced management and an established track record of operations

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, and cupronickel casted, extruded, and drawn products, viz. billets and ingots, mother shells, tubes and 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 demands of various industries, such as LPG valve manufacturing, automobiles, forging, marine, power generation, and the electrical industry, to name a few, through its diversified product portfolio.

Improvement in Operating Performance

The operating income of the group stood at Rs. 696.39 crore in FY 23 as against Rs. 523.82 crore in FY 22. The revenue for the group has improved, with a CAGR of 33%. The rise in revenue is due to the increase in sales in the exports division of the company. The operating revenue of the company has been increasing, and to meet the same, the company is working to enhance its utilisation. The installation capacity for all three companies is 35,000 MT per year. The actual production is 60%–65%, and the company is planning to enhance it by another 10%–15% in this financial year.

Weaknesses

Decline in operating margins

The operating income of the company is increasing, but the operating margins have declined to 4.67% in FY 23 as compared to 5.33% in FY 22. The company deals in multiple products; hence, the margins on each of them are different. The decline in margins is due to the sale of these products in FY 23.

Competitive industry and susceptibility to raw material prices

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

Rating Sensitivities

- Improvement in the profitability margins.
- Deterioration in its working capital management.
- Deterioration in the financial risk profile of the company.

Material Covenants

None

Liquidity Position

Adequate

The liquidity of the group is adequate on account of adequate cash accruals for maturing debt service obligations over the same period. Cash accruals, however, provide a limited liquidity buffer to support incremental working capital operations, and hence, utilisation of

working capital limits is high. Further, the group had Rs. 3.47 crore of unencumbered cash and bank balances as of March 31, 2023. Furthermore, the group has Rs. 10.10 crore of fixed deposits held as margin money, lending adequate financial flexibility. The company has got sanction limits from the Bank of Maharashtra for a CC limit of Rs 24 crore and a letter of credit limit of Rs 28 crore to provide cushion to its liquidity position.

Outlook:

Acuité believes that SG will maintain a 'Stable' outlook and will continue to derive benefits over the medium term due to its extensive experience as a promoter. The outlook may be revised to 'Positive', if the group demonstrates substantial and sustained growth in its margins 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 a result of a sharp decline in operating margins or a deterioration in working capital leading to a higher reliance on external borrowings, thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	696.39	523.82
PAT	Rs. Cr.	9.11	6.62
PAT Margin	(%)	1.31	1.26
Total Debt/Tangible Net Worth	Times	0.83	1.11
PBDIT/Interest	Times	2.07	2.02

Status of non-cooperation with previous CRA (if applicable)

None

Any Other Information

None

Applicable Criteria

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

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Raung Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Mar 2022	Term Loan	Long Term	1.88	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.25	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	0.66	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.81	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	3.02	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	2.31	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	0.60	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	3.07	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	2.90	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	1.50	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	11.00	ACUITE A3+ (Reaffirmed)
17 Mar 2021	Bank Guarantee	Short Term	0.25	ACUITE A3+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	3.07	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.25	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	3.02	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.88	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.66	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	0.60	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	11.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	2.65	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	2.31	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.81	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	1.50	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.29	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	3.31	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	0.25	ACUITE A3+ (Assigned)
		Long		ACUITE BBB Stable

19 Feb 2020	Cash Credit	Term	3.60	(Assigned)
	Working Capital Demand Loan	Long Term	2.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	0.80	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	2.80	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Long Term	2.93	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	6.88	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	2.14	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	0.25	ACUITE A3+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.60	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE A3+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.74	ACUITE BBB Stable Assigned
Tata Capital Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.50	ACUITE BBB Stable Reaffirmed
Bajaj Finance Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.00	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.85	ACUITE BBB Stable Assigned
Tata Capital Limited	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	1.50	ACUITE BBB Stable Reaffirmed
Bajaj Finance Ltd.	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	2.15	ACUITE BBB Stable Reaffirmed
Bajaj Finance Ltd.	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	2.85	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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