

## Press Release

Sahu Refrigeration Industries Limited

August 12, 2022



### Rating Assigned, Reaffirmed and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.75	-	ACUITE A3   Assigned
Bank Loan Ratings	19.25	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	4.95	ACUITE BBB-   Reaffirmed & Withdrawn	-
Bank Loan Ratings	55.00	ACUITE BBB-   Stable   Reaffirmed	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	75.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	4.95	-	-

### Rating Rationale

Acuite has Reaffirmed the long term rating at '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the bank facilities of Rs.55.00 Crore of Sahu Refrigeration Industries Limited (SRIL). The outlook is '**Stable**'.

Acuite has Assigned the long term rating at '**ACUITE BBB-**' (read as **ACUITE triple B minus**) & **short term rating at 'ACUITE A3'** (read as **ACUITE A three**) on the bank facilities of Rs.20 Crores. The outlook is '**Stable**'.

Acuite has Reaffirmed & Withdrawn the rating at '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the bank facilities of Rs.4.95 Crores.

### About the Company

Sahu Refrigeration Industries Limited (SRIL) is a Delhi based company incorporated in 1970. Lohia group acquired the company in June 1981 and undertook business of steel furnace initially and steel pipes trading subsequently. However, the same was discontinued in FY18. In FY19, management decided to foray into the automobile dealership business of KIA Motors. Now, the automobile dealership is the only business and core focus area of the company.

### About the Group

SRIL is part of NCR based Lohia Group which is engaged in metal business for last 30 years. The group comprises of 6 companies (including SRIL). The other companies under the group are involved in manufacturing and trading of steel pipes.

## Analytical Approach

Acuité has considered the standalone business and financial risk profile of SRIL to arrive at the rating

## Key Rating Drivers

### Strengths

#### Experienced and Resourceful management

The overall operations of the company are monitored by Mr. Rajiv Lohia, chairman of Lohia Group. He is closely involved in day to day operations of 'KIA' business. The long standing experience of promoters has resulted in company receiving the dealership of KIA Motors. Mr. Sandeep Kumar Gupta (Director) and Mr. Navrun Lohia (Director) is involved in monitoring internal controls and financial activities of SRIL. The management have further infused funds in the form of equity in order to support growing scale of operations. Acuité believes that the company will continue to benefit from the promoters' experience.

#### Comfortable Financial Risk Profile

The financial risk profile of the company though moderated remained at comfortable level, marked by the net worth of Rs.19.01 Crores in FY22 and Rs.15.75 in FY21. The debt profile of the company comprises of Short term debt (Inventory Funding) of Rs.30.67 Crores and Unsecured loans of Rs.7.00 Crores. Additionally, the promoters have infused the funds of around Rs.5.02 cr. in FY21 against the capital expenditure. The Gearing Ratio of the company moderated and stood at 1.98x in FY2022 as compared to 0.88x in FY21. Further, the interest coverage ratio of the company has improved from 3.21 times in FY21 to 3.87 times in FY22.

### Weaknesses

#### Working Capital Operations

The GCA Days of the company has increased on the back of increase in the inventory days. The inventory period is majorly with respect to arrival of the vehicle in the showroom to its delivery to the customer. However, sometimes vehicle remains in the showroom if the financing process is yet to be completed. The receivable period majorly pertains to time gap in disbursement of payments from financing company (despite approval of loan to customer) to SRIL post-delivery of vehicle to customer. The creditors period remained at 2 days in FY22.

#### Thin profitability margins led by intense competition

As the company is in dealership business, it faces stiff competition from market leaders of industry with companies launching new models at competitive price. Further, SRIL also faces competition from other dealers of KIA Motors. Consequently, the profitability margins remained at 2.53%. Acuité believes, that company's ability to improve its margins from service segments and through sale of automobile ancillaries would be key factor.

#### Susceptibility to cyclical nature in auto sector

The operations of the company are vulnerable to the inherent cyclical nature of the automobile industry.

### Rating Sensitivities

- Significant Improvement in revenue and profitability position.
- Improvement in financial risk profile of the company
- Any elongation of the working capital cycle leading to deterioration in liquidity and debt protection metrics.

### Material covenants

None.

### Liquidity Position

## Adequate

The liquidity profile of the company is adequate as is apparent from the net cash accrual of the company which stood at Rs.4.48 Crores. The NCA for projected period is expected to be in the range of Rs.8 Crores. Further, the current ratio of the company is 1.07 in FY22 as compared to 1.39 in FY21. The bank limit utilisation of the company is 32% from April 2021 to June 2022 giving sufficient short term liquidity buffer. The cash balance is at Rs.2.18 Crores as on 31st march 2022.

## Outlook: Stable

Acuité believes that the company will continue to maintain a 'Stable' outlook over near to medium term owing to its arrangement with KIA Motors and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than expected working capital requirements.

## Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	304.14	283.03
PAT	Rs. Cr.	3.08	3.14
PAT Margin	(%)	1.01	1.11
Total Debt/Tangible Net Worth	Times	1.98	0.88
PBDIT/Interest	Times	3.87	3.21

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

Not Applicable.

## Any other information

None.

## Applicable Criteria

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

## Note on complexity levels of the rated instrument

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

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jul 2021	Proposed Bank Facility	Long Term	0.05	ACUITE BBB-   Stable (Assigned)
	Inventory Funding	Long Term	49.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	4.95	ACUITE BBB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A3   Assigned
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	49.75	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	19.25	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.25	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	4.95	ACUITE BBB-   Reaffirmed & Withdrawn

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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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