



**Press Release**  
**Sahu Refrigeration Industries Limited**  
**September 22, 2023**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.80	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	74.25	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	1.50	-	ACUITE A3   Assigned
Bank Loan Ratings	0.75	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	95.30	-	-

**Rating Rationale**

Acuite has reaffirmed the long term rating '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating from '**ACUITE A3**' (read as **ACUITE A three**) on the bank facilities of Rs.75.00 Crore of Sahu Refrigeration Industries Limited (SRIL). The outlook is '**Stable**'.

Further Acuite has assigned the long term rating from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating '**ACUITE A3**' (read as **ACUITE A three**) on the bank facilities of Rs. 20.30 Crore of Sahu Refrigeration Industries Limited (SRIL). The outlook is '**Stable**'.

**Rationale for Reaffirmation**

The rating reaffirmation takes into account the improved business risk profile of the company marked by established business operations with experienced management. The revenue from operations of the company witnessed improvement to Rs. 574.83 crore in FY2023 (Provisional) as against Rs. 302.33 crore in FY2022. Furthermore, the profitability of the company witnessed improvement over FY2022-23. The operating profit margin of the company improved to 3.26 percent in FY2023 (Provisional) as against 2.56 percent in FY2022. Likewise, the company reported Profit after Tax (PAT) of Rs.7.78 crore in FY2023 (Provisional) as against Rs.3.10 crore in FY2022 with increase of 32 bps in PAT Margin which stood at 1.35 Percent in FY 23(Prov.) as against 1.03 percent in FY 22.

The rating further draws comfort from the comfortable working capital position of the company. The rating is however constrained on account of High Bank Limit Utilization, Increase in Debt Equity and moderation in coverage indicators. Acuite believes that the company's ability to grow its scale of operations and profitability while improving capital structure and financial risk profile, lower bank Limit utilization remains a key rating indicator.

**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.

Further company has purchased land in FY 23 for setting up service workshop. Estimated cost of construction is Rs~5 crore. This capex is funded by term loan of Rs 12 crore.

## 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.

#### Business Risk Profile

SRIL's operation witnessed substantial improvement which is apparent from growth in revenue from operations by ~90.14% in FY2023 (Prov.) to Rs 574.83 crore as against Rs. 302.33 crore for FY2022.(improved by ~103.10 percent over the last three years FY 21 to FY 23). Company has booked operating income of Rs 151.47 crore in First four month of FY 24. Expected operating income in FY 24 is Rs 520 crore and Rs ~560 crore for FY 25.

Operating margin of the company increased by 70 bps. Operating Profit Margin of company stood at 3.26% in FY2023 (Prov.) as against 2.56% in FY2022 likewise the net profit margin of the company improved by 32 bps and stood at 1.35 percent in FY2023 (Prov.) as against 1.03 percent in FY 22. ROCE of the company stood at 21.32 times in FY2023 (Prov.).

#### Working capital operations- Comfortable

Company has comfortable working capital requirements as evident from gross current assets (GCA) of 35 days in FY2023 (Prov.) as compared to 51 days in FY2022. Debtor days improved by 5 days and stood at 4 days in FY2023 (9 days in FY2022). Inventory days came down by 2 days in FY 23(Prov.). Inventory days stood at 24 days in FY2023 (Prov.) as against 26 days in FY2022.(14 days in FY 21)

### Weaknesses

#### Financial Risk Profile

Company's financial risk profile remained average marked by moderate net worth, high gearing and comfortable debt protection. The Net worth of the company stood at Rs. 26.80 Cr in FY2023 (Prov.) as against Rs.18.94 Cr in FY2022. The gearing ratio increased from 2.04 times in FY2022 to 2.46 times in FY2023.The interest coverage ratio moderated by 10 bps and stood at 3.74 times in FY2023 (Prov.) as against 3.84 times in FY2022 likewise DSCR of the company has decreased by 8 bps and stood at 3.11 in FY23 (prov.) as against 3.19 in FY22.Total outside liabilities to total net worth (TOL/TNW) stood at 2.77 times as on FY2023 (Prov.) vis-à-vis 2.78 times as on FY2022. Debt-EBITA decreased and stood at 3.50 times as on 31st March 2023(Prov.) as against 4.88 times as on 31st March 2022.

#### 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 3.26%. 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 cyclicality 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.

### **All Covenants**

None

### **Liquidity Position**

#### **Adequate**

Company has adequate liquidity marked by net cash accruals, current ratio, cash and bank balance. Company generated cash accruals of Rs. 10.65 crore for FY2023 (Prov.) and no debt repayment obligations for the same period. Current Ratio stood at 1.01 times as on 31 March 2023(Prov.) as against 0.99 times in the previous year. Working capital limits are utilized at ~90 per cent during the last Six months ended august 23. Cash and Bank Balances of company stood at Rs 3.86 crores.

### **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 financial risk profile. 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.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	574.83	302.33
PAT	Rs. Cr.	7.78	3.10
PAT Margin	(%)	1.35	1.03
Total Debt/Tangible Net Worth	Times	2.46	2.04
PBDIT/Interest	Times	3.74	3.84

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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 Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Aug 2022	Bank Guarantee	Short Term	0.75	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	5.25	ACUITE BBB-   Stable (Reaffirmed)
	Inventory Funding	Long Term	19.25	ACUITE BBB-   Stable (Assigned)
	Inventory Funding	Long Term	49.75	ACUITE BBB-   Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.95	ACUITE BBB- (Withdrawn)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.75	ACUITE A3   Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE A3   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.05	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	74.25	ACUITE BBB-   Stable   Reaffirmed
State Bank of India	Not Applicable	Inventory Funding	Not Applicable	Not Applicable	Not Applicable	Simple	6.75	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	12.00	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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