

**Press Release**  
**Shah Foils Limited**

**January 04, 2023**



**Rating Reaffirmed & Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	140.70	ACUITE BBB+   Reaffirmed & Withdrawn	-
Bank Loan Ratings	2.50	-	ACUITE A2   Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	143.20	-	-

**Rating Rationale**

Acuite has reaffirmed & withdrawn the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short term rating of '**ACUITE A2**' (read as **ACUITE A two**)' on the Rs.143.20 crore bank facilities of Shah Foils Limited (SFL).

The rating is being withdrawn on account of the request received from the company and the NOC received from the banker as per Acuite's policy on withdrawal of ratings.

**About the Company**

Shah Foils Limited, based in Gujarat, was formed as a partnership firm named Shah Metal Industries in 2001 and reconstituted as a private limited company in 2004. It has been promoted by the Gujarat-based Mr. Kartik Ramesh Shah and family. The company manufactures stainless steel cold-rolled coils, strips and circles and mainly caters to stainless steel tubes, auto ancillary and utensil manufacturers. The manufacturing facility is located in Ahmedabad and Ludhiana.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of SFL while arriving at the rating

**Key Rating Drivers**

**Strengths**

**> Experienced management and established track record of operations**

Started its operations in 2001 as a partnership firm, Shah Foils Limited has a long track record of operations along with experienced management. Promoted by Gujarat based Singhvi and Shah families, the Company currently has Mr. Karthik Shah at the helm of its operations, who is ably supported by a strong line of mid-level managers. The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers. Majority of the top ten customers and suppliers have been associated with Company for over a decade. The Company supplies its products in various states such as Maharashtra,

Gujarat, Delhi, Haryana, Tamil Nadu in domestic market and Turkey, USA and Europe in international market. SFL's main input material is stainless steel coils which are either procured from domestic steel companies namely Steel Authority of India, Posco Steel India Processing Center Private Limited, Jindal Stainless Limited or imported from China, Hongkong and South Korea.

SFL's operating income stood at Rs.664.19 Cr in FY2022 as against Rs.450.67 Cr in FY2021 and Rs.505.06 Cr in FY2020. The Company's operating income in 9MFY2022 stood at ~Rs.605 Cr. The operating margin of the company improved to 10.82 percent in FY2022 as against 8.69 percent in FY2021 and 7.27 percent in FY2020. PAT margin of the company stood at 5.95 percent in FY2022 as against 3.50 percent in FY2021 and 2.36 percent in FY2020.

### >Healthy Financial Risk Profile

SFL's financial risk profile is healthy marked by healthy net worth, healthy gearing and moderate debt protection metrics. The tangible net worth stood at Rs.158.03 Cr in FY2022 as against Rs.118.62 Cr in FY2021 and Rs. 102.89 Cr in FY2020. The improvement is on account of accretion to reserves. The total debt as on March 31, 2022, stood at Rs.123.16 Cr and comprised of long term borrowings of Rs. 26.99 Cr, short term borrowings of Rs. 85.06 Cr and CPLTD of Rs.11.11 Cr. The overall gearing improved to 0.78 times as on March 31, 2022, as against 0.95 times as on March 31, 2021 and 1.12 times as on March 31, 2020. The debt protection metrics of SFL is moderate marked by interest coverage of 6.54 times in FY2022 as against 3.67 times in FY2021 and 3.07 times in FY2020. The DSCR stood at 2.89 times in FY2022 as against 2.31 times in FY2021 and 1.55 times in FY2020. The Debt to EBITDA stood at 1.71 times in FY2022 as against 2.88 times in FY2021 and 3.11 times in FY2020.

### Weaknesses

#### >Working capital intensive nature of operations

SFL's operations are working capital intensive in nature as reflected by GCA days of 152 days as on March 31, 2022, as against 148 days as on March 31, 2021, and 120 days as on March 31, 2020. The GCA days are driven by inventory and debtor days. The inventory days stood at 81 days as on March 31, 2022, as against 66 days as on March 31, 2021, and 61 days as on March 31, 2020. The Company gives a credit period of 30-60 days to its customers. The same is also reflected in its debtor days position as on year end. The Company makes majority of its procurement on cash and carry basis. The same is also reflected in its creditor days of 30 days as on March 31, 2022, as against 03 days as on March 31, 2021, and 12 days as on March 31, 2020. However, the credit period allowed by suppliers is 07-10 days.

#### > Susceptibility of profitability to volatility in raw material prices and fluctuations in forex risk

The price of key input material i.e. stainless steel coils is volatile. Any sharp upward movement in the raw material prices and inability of the Company to pass on the increased cost of raw materials may result in dip in operating margins. Thus, with limited natural hedge of exports against high imports, SFL's profitability remains susceptible to foreign exchange fluctuations risk.

### Rating Sensitivities

- Ability to improve its scale of operations while maintaining its profitability and capital structure.
- Any further elongation in its working capital cycle

### Material covenants

None.

### Liquidity Position: Adequate

SFL's liquidity position is adequate marked by comfortable cash accruals against debt repayment obligations. The Company's net cash accruals stood at Rs.47.81 Cr in FY2022 as against Rs. 24.84 Cr in FY2021 and Rs.20.43 Cr in FY2020, while the debt repayment obligation for the same period stood at Rs. 11.11 Cr in FY2022 as against Rs.11.22 Cr in FY2021 and Rs.4.94

Cr in FY2020. The GCA days of the Company stood at 152 days as on March 31, 2022, as against 148 days as on March 31, 2021. The average bank limit utilization ranged between 80% - 90% for last six months ending November 2022. The current ratio and unencumbered cash and bank balance stood at 1.84 times and at Rs. 7.83 Cr as on March 31, 2022, respectively.

### Outlook

Not Applicable.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	664.19	450.67
PAT	Rs. Cr.	39.55	15.77
PAT Margin	(%)	5.95	3.50
Total Debt/Tangible Net Worth	Times	0.78	0.95
PBDIT/Interest	Times	6.54	3.67

### 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>
- 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

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
	Bank Guarantee	Short Term	2.50	ACUITE A2 (Assigned)
	Term Loan	Long Term	7.15	ACUITE BBB+   Stable (Assigned)
	Cash Credit	Long Term	22.50	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	1.95	ACUITE BBB+   Stable (Assigned)
	Cash Credit	Long Term	27.50	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	6.50	ACUITE BBB+   Stable (Assigned)

18 Jan 2022	Term Loan	Long Term	2.74	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	9.73	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	2.92	ACUITE BBB+   Stable (Assigned)
	Working Capital Term Loan	Long Term	5.00	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	6.00	ACUITE BBB+   Stable (Assigned)
	Term Loan	Long Term	3.71	ACUITE BBB+   Stable (Assigned)
	Cash Credit	Long Term	45.00	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	2.50	ACUITE A2   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	45.00	ACUITE BBB+   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BBB+   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.73	ACUITE BBB+   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.74	ACUITE BBB+   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.92	ACUITE BBB+   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.15	ACUITE BBB+   Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.71	ACUITE BBB+   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.95	ACUITE BBB+   Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.00	ACUITE BBB+   Reaffirmed & Withdrawn
HDFC	Not		Not	Not	Not			ACUITE BBB+

Bank Ltd	Applicable	Term Loan	available	available	available	Simple	6.50	Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	5.00	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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