

Press Release

RAJPUTANA INDUSTRIES LIMITED (ERSTWHILE RAJPUTANA INDUSTRIES PRIVATE LIMITED)

July 12, 2024

Rating Reaffirmed



Product			Short Term Rating
Bank Loan Ratings	9.55	ACUITE BBB Positive Reaffirmed	-
Bank Loan Ratings	16.45	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	26.00	-	-

Rating Rationale

ACUITE has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the bank facilities of Rs. 26.00 Crore of Rajputana Industries Limited (Erstwhile Rajputana Industries Private Limited). The outlook is '**Positive**'.

Rational for rating

The rating action takes into account improved operating income, healthy financial risk profile and adequate liquidity Position. Group reported growth in revenue from operations by 25.66% in FY2024 to Rs 875.10 crore as against Rs. 696.39 crore for FY2023. Net profit margin of the group stood at 1.61% against 1.31% for the corresponding previous period. Financial risk profile of the group remains healthy on account of healthy net worth, comfortable gearing and moderate coverage indicators. Debt Service coverage ratio stood at 1.20 times and Interest Coverage ratio at 1.80 times for FY 2024. Group has healthy business risk profile for FY 2024. Acuite believes that the Group's ability to grow its scale of operations and profitability while maintaining a healthy capital structure with improvement in working capital operations remains a key rating indicator.

About the Company

Jaipur based, Rajputana Industries Limited (RIL) 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.

About the Group

Shera Group (SG) was formed with the establishment of a proprietorship firm, Shera Metals & Engineers, in 2003 by Mr. Naseem Sheikh. SEL had three subsidiaries: Shera Metal Private Limited (SMPL), Rajputana Industries Limited (RIL), and Shera Infrapower Private Limited (SIPL). SMPL is engaged in the manufacturing of copper bus bar, tin-plated copper bus bar, PCC poles, brass rod and wire, and paper-covered copper strips, while RIPL was incorporated with a view to securing a backward integration of its product lines manufactured by SEL and SMPL through the manufacturing of mother tubes of brass (copper and zinc mix) tube, copper nickel (copper nickel mix) tube, and brass rod and section (copper and zinc). Group has now sold Shera Infrapower Private Limited and floated one subsidiary in Zambia names as Shera Zambia Limited. SEL now has three subsidiaries: Shera Metal Private Limited (SMPL), Rajputana Industries Limited (RIL) and Shera Zambia Limited. SG caters to the intermediate product requirements of various industries, such as transformers, electric and electronic goods, refineries, construction, the capital goods sugar plants, automobiles, and aviation, to name a few.

Unsupported Rating
Not Applicable

Analytical Approach

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 Limited (RIL), and Shera Zambia 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.

Business risk profile

Shera Group's operation witnessed improvement which is apparent from growth in revenue from operations by 25.66% in FY2024 to Rs. 875.10 crore as against Rs. 696.39 crore for FY2023. The operating profit and net margins of the company went up by 120 and 30 bps in FY 24 respectively. Operating Profit Margin of group stood at 5.87% in FY 24 as against 4.67 % in FY 23. The net profit margin of the group stood at 1.61% in FY 24 as against 1.31% in FY 23. ROCE of the group stood at 20.46% in FY 23 against 13.47% in FY 24. Recently group has started supplying bullet shells to the companies which are in business of arms and ammunition with high margins in this business segment.

Comfortable Financial Risk Profile

The group has comfortable financial risk profile marked by healthy net worth, comfortable gearing and moderate coverage indicators. The Total Tangible net worth stood at Rs. 139.54 Cr. as on 31st March 2024 as against Rs. 119.51 Cr. a year earlier. Group follows conservative leverage policy. Debt to Equity ratio improved by 7 bps and stood at 0.76 times in FY 24 as against 0.83 times in FY 23. Debt Protection Matrix (i.e. DSCR & ISCR) stood at 1.20 & 1.80 times for FY 24 against 1.09 & 2.07 times for FY 23 respectively. Going forward coverage indicators are expected to improve in near medium term. Debt-EBITDA improved and stood at 1.95 times as on 31st March 2024 as against 2.94 times as on 31st March 2023. The Net Cash Accruals to Total debt stood at 0.18 times for FY2024. The financial risk profile of the group is expected to improve and remain comfortable.

Weaknesses

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 group 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.

Working capital operations- Moderate

Group has moderate working capital requirements as evident from gross current assets (GCA) of 139 days in FY2024 as compared to 145 days in FY2023. Inventory days stood at 87 days in FY2024 against 88 days in FY 2023. Debtor & Creditor days stood at 48 & 68 days in FY 2024 respectively.

Rating Sensitivities

1. Improvement in the profitability margins.
2. Deterioration in its working capital management.
3. Deterioration in the financial risk profile of the group.
4. Group's ability to achieve the financial position as envisaged.

Liquidity Position

Adequate

Group has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Group generated cash accruals of Rs. 19.59 crore for FY 2024 as against debt repayment obligations of Rs. 11.40 crore for the same period indicating availability of funds to pay off debt obligations. Current Ratio stood at 1.31 times as on 31 March 2024. Cash and Bank Balances of company stood at Rs 4.02 crore. The liquidity of the group is expected to improve with group expected to generate cash accruals in the range of Rs. 25 to 35 Cr. with debt obligation of Rs 10 to 12 crore will also support the liquidity of the company. The average utilization for fund-based limit for last seven months ending March 2024 is 85.83%.

Outlook - Positive

Acuité believes that SG will maintain a 'Positive' outlook and will continue to derive benefits over the medium term from its extensively experienced promoter and the business strategies being implemented. Rating may be upgraded if the group demonstrates substantial and sustained growth in its margins and turnover from the current levels while maintaining its healthy capital structure. Conversely, the outlook may be revised to 'Stable' 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 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	875.10	696.39
PAT	Rs. Cr.	14.05	9.11
PAT Margin	(%)	1.61	1.31
Total Debt/Tangible Net Worth	Times	0.76	0.83
PBDIT/Interest	Times	1.80	2.07

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

Not Applicable.

Any Other Information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.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, 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 May 2024	Cash Credit	Long Term	5.60	ACUITE BBB Positive (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	0.25	ACUITE A3+ (Reaffirmed)
	Derivative Exposure	Short Term	0.20	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	16.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	0.05	ACUITE BBB Positive (Reaffirmed)
	Term Loan	Long Term	1.54	ACUITE BBB Positive (Reaffirmed)
	Term Loan	Long Term	1.24	ACUITE BBB Positive (Reaffirmed)
	Term Loan	Long Term	0.56	ACUITE BBB Positive (Reaffirmed)
	Term Loan	Long Term	0.56	ACUITE BBB Positive (Reaffirmed)
11 Mar 2024	Cash Credit	Long Term	5.60	ACUITE BBB Positive (Reaffirmed (Stable to Positive))
	Bank Guarantee/Letter of Guarantee	Short Term	0.25	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	13.75	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	2.25	ACUITE A3+ (Assigned)
	Derivative Exposure	Short Term	0.20	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	3.90	ACUITE BBB (Reaffirmed & Withdrawn)
	Term Loan	Long Term	7.50	ACUITE BBB (Reaffirmed & Withdrawn)
	Term Loan	Long Term	2.25	ACUITE BBB (Reaffirmed & Withdrawn)
	Term Loan	Long Term	0.05	ACUITE BBB Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	1.54	ACUITE BBB Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	1.24	ACUITE BBB Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	0.56	ACUITE BBB Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	0.56	ACUITE BBB Positive (Reaffirmed (Stable to Positive))
	Proposed Long Term Bank Facility	Long Term	0.54	ACUITE Not Applicable (Withdrawn)
	Working Capital Demand Loan (WCDL)	Long Term	1.50	ACUITE BBB (Reaffirmed & Withdrawn)
	Working Capital Demand Loan (WCDL)	Long Term	2.15	ACUITE BBB (Reaffirmed & Withdrawn)
	Working Capital Demand Loan (WCDL)	Long Term	2.85	ACUITE BBB (Reaffirmed & Withdrawn)
		Short		

06 Jun 2023	Letter of Credit	Term	11.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	0.60	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	0.25	ACUITE A3+ (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	2.15	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1.50	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	2.85	ACUITE BBB Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.74	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	7.85	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	7.50	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
24 Mar 2022	Bank Guarantee/Letter of Guarantee	Short Term	0.25	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	0.60	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	11.00	ACUITE A3+ (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	3.07	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	3.02	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.66	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	2.31	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.81	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.88	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1.50	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.90	ACUITE BBB Stable (Reaffirmed)
17 Mar 2021	Bank Guarantee (BLR)	Short Term	0.25	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	11.00	ACUITE A3+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.65	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	0.60	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	5.81	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.88	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	2.31	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.66	ACUITE BBB Stable (Reaffirmed)

	Term Loan	Long Term	3.02	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.25	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	1.50	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	3.07	ACUITE BBB Stable (Reaffirmed)

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 avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.25	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.60	ACUITE BBB Positive Reaffirmed
State Bank of India	Not avl. / Not appl.	Derivative Exposure	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.20	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE A3+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.05	ACUITE BBB Positive Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2027	Simple	1.54	ACUITE BBB Positive Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 May 2026	Simple	1.24	ACUITE BBB Positive Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Aug 2024	Simple	0.56	ACUITE BBB Positive Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Feb 2025	Simple	0.56	ACUITE BBB Positive Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	Shera Energy Limited
2	Shera Metal Private Limited
3	Rajputana Industries Limited
4	Shera Zambia Limited

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Kartik Arora Analyst-Rating Operations Tel: 022-49294065 kartik.arora@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.