



Press Release

SAHU REFRIGERATION INDUSTRIES PRIVATE LIMITED (ERSTWHILE SAHU REFRIGERATION INDUSTRIES LIMITED)

August 09, 2024

Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.33	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	93.05	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	2.25	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	98.63	-	-

Rating Rationale

Acuite has reaffirmed the long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating to '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 95.30 Crore of bank facilities of Sahu Refrigeration Industries Private Limited. The outlook is '**Stable**'. Further, Acuite has assigned the long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 3.33 Crore bank facilities of Sahu Refrigeration Industries Private Limited. The outlook is '**Stable**'.

Rationale for rating recommendation

The recommendation factors in the long track record of operation and extensive experience of the management. Further the rating factors in the moderation in the company's scale of operations, marked by an operating income of Rs. 560.63 Cr. in FY2024 (Prov.) as against Rs. 573.17 Cr. in FY2023. The operating margin of the company stood at 2.62% in FY 2024(Prov.) and PAT margin stood at 0.29% in FY 2024 (Prov.) considering the trading nature of the company. The liquidity profile of the company is adequate marked by sufficient net cash accrual which stood at Rs. 5.95 Cr. against maturing debt obligation of Rs. 0.32 Cr. The working capital operations of the company is moderate marked by moderate GCA days of 58 days as on 31st March 2024 (Prov.) and the average fund based bank limit utilization remained at an average of 94.51% for the past 12 months ended June 2024. In addition, the financial risk profile of the company is moderate as suggested by coverage indicators i.e. interest coverage ratio (ICR) which stood at 1.85 times and debt service coverage ratio (DSCR) which stood at 1.69 times in FY 2024 (Prov). Acuite believes that the company's operations will improve in the near to medium term on account of improved demand and addition of new showrooms for new as well as pre owned cars.

About the Company

Sahu Refrigeration Industries Private Limited (Erstwhile Sahu Refrigeration Industries Limited) 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. The directors of the company are Mr. Navarun Lohia, Mr. Sandeep Kumar Gupta and Ms. Renu Gupta.

About the Group

SRIPL is part of NCR based Lohia Group which is engaged in metal business for last 30 years. The group comprises of 5 companies (including SRIPL). 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 SRIPL 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 SRIPL. 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.

Order Book Position

The company has orders of approximately Rs. 27 crore in hand as on date 30th June, 2024 of various models including Carens, Seltos and Sonet. Further, the operating revenue in FY25 is expected to cross Rs. 600 crore on the account of addition of one new showroom started in June FY25 as well as workshop and preowned car showroom expected to start by November FY25 and October FY25 respectively.

Upcoming capital expenditure plans

The company is planning a capital expenditure of Rs. 16.67 crore for the new workshop at Peeragarhi and of Rs. 0.75 crore for a showroom at Jahangirpuri. The structural work for both the projects has almost been completed. The work started in September FY24 and remaining work is about to get completed by October FY25 for Peeragarhi workshop and in September FY25 for the Jahangirpuri showroom. The new units are funded in the proportion promoter's contribution and bank loans.

Weaknesses

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, SRIPL also faces competition from other dealers of KIA Motors. Acuite believes, that company's ability to improve its margins from service segments and through sale of automobile ancillaries would be key factor.

Moderate Financial Risk Profile

The financial risk profile of the company is moderate, marked by the net worth of Rs. 29.71 crore in FY24 (Prov.) and Rs. 27.40 in FY23. The increase in the net-worth is on an account of accretion of profits into reserves. Further, the total debt of the company stood at Rs.100.12 Crore as on 31st March 2024 (Prov.) against Rs. 65.97 Crore as on 31st March 2023. The capital structure of the company is moderate marked by gearing ratio which stood at 3.37 times as on 31st March 2024 (Prov.) against 2.41 times as on 31st March 2023. Further, the coverage indicators of the company are reflected by interest coverage ratio and debt service coverage ratio which stood at 1.85 times and 1.69 times respectively as on 31st March 2024 (Prov.) against 4.07 times and 3.35 times respectively as on 31st March 2023. The TOL/TNW ratio of the company stood at 3.80 times as on 31st March 2024 (Prov.) against 2.83 times as on 31st March 2023 and DEBT-EBITDA of the company stood at 6.95 times as on 31st March 2024 (Prov.) against 3.39 times as on 31st March 2023. Acuité believes that going forward the financial risk profile of the company will remain moderate in near to medium term.

Rating Sensitivities

- Any further deterioration in financial risk profile of the company.

- Any elongation of the working capital cycle leading to deterioration in liquidity and debt protection metrics.
- Company's ability to scale it's operations while improving profitability position.

Liquidity Position

Adequate

The liquidity profile of the company is adequate with net cash accruals of Rs. 5.95 Cr. as on 31st March 2024 (Prov.) against the debt repayment obligation of Rs. 0.32 Crore over the same period. Going forward, the company is expected to generate net cash accruals under the range of Rs. 9 crore to Rs.11 crore against the debt repayment obligations up to Rs. 1.60 crore over the same period. The current ratio of the company stood constant at 1.00 times as on 31st March 2024 (Prov.) against 1.01 times as on 31st March 2023. Further, the cash and bank balance available with the company stood at Rs. 21.52 crore as on 31st March 2024 (Prov.). The increased cash and bank balance is because the company received payment of the vehicles sold at the end of FY24 (Prov.) which was later adjusted from the limit outstanding in the first week of April FY25. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	560.63	573.17
PAT	Rs. Cr.	1.61	8.36
PAT Margin	(%)	0.29	1.46
Total Debt/Tangible Net Worth	Times	3.37	2.41
PBDIT/Interest	Times	1.85	4.07

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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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
22 Sep 2023	Bank Guarantee (BLR)	Short Term	0.75	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	1.50	ACUITE A3 (Assigned)
	Inventory Funding	Long Term	6.75	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	0.05	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Inventory Funding	Long Term	74.25	ACUITE BBB- Stable (Reaffirmed)
12 Aug 2022	Working Capital Term Loan	Long Term	4.95	ACUITE BBB- (Reaffirmed & Withdrawn)
	Bank Guarantee (BLR)	Short Term	0.75	ACUITE A3 (Assigned)
	Inventory Funding	Long Term	49.75	ACUITE BBB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	5.25	ACUITE BBB- Stable (Reaffirmed)
	Inventory Funding	Long Term	19.25	ACUITE BBB- Stable (Assigned)
28 Jul 2021	Working Capital Term Loan	Long Term	4.95	ACUITE BBB- Stable (Assigned)
	Proposed Long Term 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)

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 (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.25	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	0.05	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.00	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Inventory Funding	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.00	ACUITE BBB- Stable 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	4.67	ACUITE BBB- Stable 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	3.33	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	13 Jan 2023	Not avl. / Not appl.	13 Jan 2030	Simple	7.33	ACUITE BBB- Stable Reaffirmed

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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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