Suncity Metals & Tubes Private Limited

May 19, 2025

Ratings

Security/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	257.86 (Enhanced from Rs.222.30 crore)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	IVR A-/Stable (IVR Single A Minus with Stable Outlook)	Rating Reaffirmed	Simple
Short Term Bank Facilities	184.00 (Enhanced from Rs.161.00 crore)	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	Rating Reaffirmed	Simple
Total	**441.86 (Rupees four Hundred and forty-one crore and eighty-six lakhs only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of rating to the bank facilities of Suncity Metals and Tubes Private Limited (SMTPL; Erstwhile Suncity Sheets Private Limited) continues to derive strength from its experienced promoters, diversified product portfolio and established relationships with its customers and suppliers. Further, the ratings also consider stable business performance and stable financial risk profile of the company; albeit moderation in operating margin and debt coverage indicators in FY2024 (FY refers to the period from April 01 to March 31), though improved in FY2025 as per Provisional financials. The ratings also positively note the successful completion of utensil manufacturing unit in the name of Kitchenovo in February 2025 and expected benefits from the acquisition of kitchen utensils and sink manufacturing business of Bhuvee Stenovate Private Limited (BSPL). These rating strengths are however constrained by elongated operating cycle, exposure to foreign exchange fluctuations, exposure to intense competition and cyclicality in the steel industry.

The outlook is expected to remain stable driven by extensive experience of promoters in the stainless-steel industry coupled with expected improvement in revenue and EBITDA margin from successful completion of capex pertaining to manufacturing of utensil and acquisition of kitchen utensils and sink manufacturing business of BSPL.

Key Rating Sensitivities:

Upward Factors:

- Substantial & sustained improvement in revenue and profitability leading to sustained improvement in debt protection metrics
- Improvement in the capital structure
- Improvement in liquidity marked by improvement in operating cycle

Downward Factors:

- Sustained decline in revenue and/or profitability leading to moderation in the debt protection metrics
- Withdrawal of subordinated unsecured loans and/or any unplanned capex leading to moderation in the capital structure with moderation in overall gearing ratio to over 1.20x
- Elongation in the operating cycle and/or any major unplanned debt funded capex impacting the liquidity profile of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The company was promoted by Mr. Ram Avtar Agarwal, a first-generation entrepreneur. He has over four decades of industry experience. His sons, Mr. Mahaveer Agarwal, Mr. Mukesh Agrawal and Mr. Harish Agarwal are Directors in the company. All of them have been in the steel manufacturing business for about 25 years.

Diversified product portfolio

The company has a diversified portfolio of stainless-steel products comprising SS sheets, SS pipes, SS tubes, SS coils, SS circles, SS pata patti, and stainless-steel utensils. The products of the company find use in a variety of applications like power plants, oil and gas industries, heat exchangers, automobiles and ancillaries, kitchenware, railway coaches etc. This enables the company to considerably insulate itself from any sectorial volatility.

Established relationships with clients and suppliers

The company has established relationships with its clients. The top five customers of the company accounted for ~ 14% of the total sales in FY24 & 11MFY25, indicating a diversified client base. The major raw material for the company is hot rolled stainless steel (HRSS) coil, which is usually imported. The company has long-term business relations and supply arrangements with its vendors for procuring the same. The company's clientele base is also improving with its recent presence in the South market.

Expected benefits from the acquisition of kitchen utensils and sink manufacturing business of BSPL

SMTPL's existing product lines pertaining to manufacturing stainless steel circles and stainless-steel sheet packets, which is primarily used for manufacturing kitchen utensils and sinks, are expected to benefit from the acquisition of kitchen utensils and sink manufacturing business of BSPL since it is likely to result in forward integration of existing business of SMTPL. The said acquisition is expected to provide increased competitive strength, cost reduction and efficiency and productivity gains by pooling financial, managerial and technical resources. Further, with past accumulated losses in BSPL, SMTPL is likely to get tax benefits in the near to medium term. The said demerger was approved by NCLT in December 2024 and the impact of the same is yet to be seen going forward.

Successful completion of utensil manufacturing unit in the name of Kitchenovo

The company recently concluded a capex pertaining to setting up a unit in Jodhpur to manufacture utensil in the name of Kitchenovo at a cost of Rs.40.00 crore which was funded through term loan of Rs.30 crore and the balance through internal accruals. This is a forward integration approach whereby SS circle will be used as a raw material to manufacture utensils. The commercial operation of the said capex started in February 2025 onwards with a time overrun of approximately 8 months since the quality was not up to the mark due to which the company had to improvise its machinery and product which led to the delay. The company is currently supplying to reputed names like Trent, Borosil, Prestige, and also cater to export orders. The said capex is likely to boost the top line and add to the margins going forward.

Stable business performance; albeit moderation in operating margin in FY2024

Total operating income (TOI) of the company witnessed a y-o-y growth of ~18% from Rs.694.97 crore in FY23 to Rs.817.49 crore in FY24 driven by significant increase in volume sales. Despite the increase in top line, EBITDA margin moderated from 8.04% in FY23 to 5.63% in FY24 due to decrease in sales realisations coupled with increase in operational and administrative overheads. The scale of operations continued to increase with SMTPL registering a top line of Rs.875.50 crore as per FY25 Provisional financials. The steel prices also increased to an extent in FY25 and consequently, the operating margin increased to 6.81% in FY25 (Prov.), though still lower than FY23 levels. With decrease in EBITDA coupled with increase in finance cost owing to increase in term loans to fund the capex plan with increase in utilisation of working capital limits, PBT decreased from Rs.31.29 crore in FY23 to Rs.17.99 crore in FY24. Nevertheless, PAT increased from Rs.14.26 crore in FY23 to Rs.23.57 crore in FY24 on account of tax benefits from the acquisition of demerged undertaking of BSPL. Due to take over of accumulated losses of the demerged undertaking, SMTPL is not liable to pay any tax in the near to medium term. Gross cash accruals increased marginally from Rs.28.30 crore in FY23 to Rs.30.64 crore in FY24. PAT increased to Rs.25.66 crore as per FY25 Provisional financials. The company's ability to sustain the growth in its scale of operations without compromising its margins will be critical from credit perspective going forward.

Stable financial risk profile albeit moderation in capital structure and debt coverage indicators

The financial risk profile of the company remained stable though the capital structure and debt protection parameters moderated to an extent. The long-term debt equity ratio and overall gearing moderated marginally from 0.12x and 0.88x respectively as on March 31, 2023 to 0.17x and 1.15x respectively as on March 31, 2024 (considering subordinated unsecured loans to the tune of Rs.30.00 crore from promoters and relatives as quasi equity) due to increase in term loans for the ongoing capex and rise in working capital borrowings as on the last account closing date. The overall gearing stood at 0.99x as on March 31, 2025, as per Provisional financials. Total indebtedness as reflected by TOL/ANW continues to remain comfortable at 1.12x as on March 31, 2024. However, with decrease in EBITDA coupled with increase in interest cost, ICR moderated from 5.09x in FY23 to 2.55x in FY24. Total debt/EBITDA and Total debt/GCA also moderated from 4.49x and 8.87x respectively as on March 31, 2023, to 6.65x and 9.99x respectively as on March 31, 2024.

Key Rating Weaknesses

Elongated operating cycle

The operating cycle of the company continued to remain elongated at 147 days in FY24 (152 days in FY23) owing to large inventory that the company has to maintain since a large part of the raw material requirements are met through imports, which involves high transit time. Also, the company has to maintain finished goods inventory of multiple sizes to meet the on-time requirements of the customers. Further, the company has to extend a credit of 45-60 days to its major customers while the raw materials are procured in advance. The average utilisation of working capital limit remained moderate at ~80% during the last eleven months ended February 2025.

Exposure to foreign exchange fluctuations

As the company imports a significant proportion of its raw material requirements and exports account within the range of 19.00%-29.00% of the total revenue in FY24 and 11MFY25, the company is exposed to foreign currency fluctuation risk. However, this risk is majorly mitigated by hedging to the extent of 50%-75%. The unhedged foreign currency exposure stood at Rs.43.13 crore as on December 31, 2024.

High competition and cyclicality in the steel industry

The company faces stiff competition from globally established steel players. As significant amount of raw material is imported, the company is exposed to risks such as global steel industry performance, local regulations/duties, trade wars, etc. However, the company has been able to establish a strong presence with the quality of its products. The steel industry is also cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downturn in the prices.

Analytical Approach: Standalone

Applicable Criteria:

- Rating Methodology for Manufacturing Companies.
- Financial Ratios & Interpretation (Non-Financial Sector).
- Criteria for assigning Rating outlook.
- Policy on Default Recognition
- Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity position of the company is adequate marked by expected sufficient cash accruals vis-a-vis the debt repayment obligations of the company in the near to medium term. The average utilisation of fund-based limits remained moderate at ~80% for the past eleven months ended February 2025 indicating sufficient cushion in its working capital limits. Moreover, the overall gearing remained moderate at 1.03x as on March 31, 2024, (considering subordinated unsecured loans from promoters and relatives to the tune of Rs.30.00 crore as quasi equity) indicating a moderate gearing headroom. The current ratio also stood comfortable at 1.40 times as on March 31, 2024. Also, the company has free cash and cash equivalents to the tune of Rs.8.54 crore as on February 28, 2025, which is expected to support the liquidity position of the company in the near to medium term.

About the company

Suncity Metals and Tubes Private Limited (SMTPL; Erstwhile Suncity Sheets Private Limited) was incorporated in 1981 as Bhansali Rubber Private Limited. The company commenced operation of manufacturing stainless steel products in Boranda industrial area near Jodhpur in 1992. The various products manufactured by the company include stainless steel sheets, SS pipes, SS tubes, SS coils, SS circles and stainless-steel utensils. Currently, the company has two manufacturing units at Jodhpur, Rajasthan and Mundra, Gujarat with total annual installed capacity of 1,06,100 MTPA. The manufacturing facility of the company is ISO 9001:2015 certified.

Also, SMTPL has acquired one of the business divisions pertaining to manufacturing of sink and other kitchen apparatus including cookware and utility products (hereinafter referred to as Demerged Undertaking 1) of Bhuvee Stenovate Private Limited (BSPL) which is a private limited company engaged in the business of manufacturing and sale of kitchen appliances, sinks and various other steel products of general utility. The said acquisition was done pursuant to a scheme of demerger of BSPL pronounced by Hon'ble Nationale Company Law Tribunal (NCLT) vide order dated December 18, 2024, with appointed date of April 01, 2023, and the demerged undertaking 1 has been transferred to SMTPL. In consideration of the said demerger, SMTPL issued and allotted 10 Redeemable Preference Shares (RPS) of Rs.1000 each for every 1167 equity shares of Rs.10 each fully paid up held by the equity shareholders of BSPL as on the record date. Accordingly, SMTPL issued 8568 RPS of Rs.1000 each for the Net Asset Value (NAV) of Rs.0.86 crore of Demerged Undertaking 1 of BSPL.

Financials: Standalone

(Rs. crore)

For the year ended/ As on*	31-03-2024	31-03-2024	31-03-2025
	Audited	Special Purposed Financials – Audited ^	Provisional
Total Operating Income	816.75	817.49	875.50
EBITDA	47.79	46.03	59.59
PAT	17.59	23.57	25.66
Total Debt	298.96	306.13	322.69
Adjusted Tangible Net Worth	268.31	296.13	324.83

EBITDA Margin (%)	5.85	5.63	6.81
PAT Margin (%)	2.15	2.87	2.93
Overall Gearing Ratio (x)	1.11	1.03	0.99
Interest Coverage (x)	2.70	2.55	2.92

* *Classification as per Infomerics' standards*

^*The special purpose of financials has been prepared to incorporate the effect of demerger of BSPL and transfer of demerged undertaking 1 of BSPL to SMTPL from the Appointed date of April 01, 2023.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2025-26)			Rating History for the past 3 years		
		Type	**Amount outstanding (Rs. Crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2024-25**	**Date(s) & Rating(s) assigned in 2023-24**	**Date(s) & Rating(s) assigned in 2022-23**
					-	**March 04, 2024**	**January 04, 2023**
1	Term Loan	Long Term	71.86 * (Enhanced from Rs.66.30 crore)	IVR A-/Stable	-	IVR A-/Stable	IVR A-/Positive
2	Cash Credit	Long Term	186.00 (Enhanced from Rs.156.00 crore)	IVR A-/Stable	-	IVR A-/Stable	IVR A-/Positive
3	Letter of Credit	Short Term	165.50 (Enhanced from Rs.160.50 crore)	IVR A2+	-	IVR A2+	IVR A2+
4	Forward Contract	Short Term	0.50	IVR A2+	-	IVR A2+	IVR A2+
5	SBLC	Short Term	18.00	IVR A2+	-	-	-

**Rs.46.84 crore outstanding and Rs.25.02 crore pending to be disbursed as on February 28, 2025*

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	September 2030	71.86 *	IVR A-/Stable
Cash Credit	-	-	-	186.00	IVR A-/Stable
Letter of Credit	-	-	-	165.50	IVR A2+
Forward Contract	-	-	-	0.50	IVR A2+
SBLC	-	-	-	18.00	IVR A2+

**Rs.46.84 crore outstanding and Rs.25.02 crore pending to be disbursed as on February 28, 2025*

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Len-Suncity-Metals-19may25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.