



## Press Release

### Shree Ramdev Metalex LLP (SRML)

December 02, 2022

Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term /Short Term Bank Facilities	47.00	IVR BBB- /Stable Outlook & IVR A3 (IVR Triple B Minus with Stable Outlook & IVR A Three)	Assigned	Simple
Long Term /Short Term Bank Facilities - Proposed	13.00	IVR BBB- /Stable Outlook & IVR A3 (IVR Triple B Minus with Stable Outlook & IVR A Three)	Assigned	Simple
<b>Total</b>	<b>60.00</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale:

The ratings assigned to the bank facilities of Shree Ramdev Metalex LLP derive strength from established market presence, and backed by extensive experience of the partners, moderate financial risk profile, and improved scale of operation. However, the rating strengths are partially offset by exposure to volatility in raw material prices and forex rates, and highly fragmented and competitive steel industry.

#### Key Rating Sensitivities:

##### Upward Factors:

- significantly increase its operations and profitability, leading to improved liquidity and credit metrics
- Improvement in the working capital cycle

##### Downward Factors:

- Any decline in revenue and/or profitability impacting the debt protection metrics and overall liquidity.

#### Key Rating Drivers with detailed description

##### Key Rating Strengths:

##### **Established market presence, backed by extensive experience of the partners:**

Shree Ramdev Group of Companies has more than four-decade of experience in the stainless-steel industry, their keen understanding of market dynamics and healthy



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relationships with customers helped the company establish a strong market position and draw repeat orders from large customers. The group was founded by Mr. Prabhudayal Dharamji Purohit in 1972. Shree Ramdev Group of Companies is currently headed by Abhishek Purohit and Mukesh Purohit. Both have more than decades of experience in the business.

### **Comfortable financial risk profile:**

SRML has a moderate financial risk profile, as reflected in its moderate capital structure and comfortable debt protection metrics. Debt protection metrics were comfortable, with an interest coverage ratio of 5.61 times and overall gearing ratio (including quasi equity) 0.92 times in FY2022. Net worth was moderate at Rs 40.00 crore as on March 31, 2022, and the capital structure should remain supported by steady accretion to reserve and the timely need-based funds extended by the partners.

### **Improved scale of operation:**

SRML has witnessed a significant growth in its scale of operation with operating income stood at Rs.282.88 crore in FY22 as against Rs.180.45 crore in FY21. SRML is involved in manufacturing and processing stainless steel products, and after the uplifting of covid restrictions backed by the steady recovery in domestic demand for steel & steel products in the post lockdown scenario the operations of the company have improved steadily. Profitability margins remained moderate with EBITDA margin of 7.13% in FY22 against 7.76% in FY21. The company generated a GCA of Rs 9.52 crore in FY 22 against 5.82 in FY21.

### **Key Rating Weaknesses:**

#### **Exposure to volatility in raw material prices and forex rates:**

Operating margin remains susceptible to fluctuations in the cost of the key raw materials. Given the competitive nature of the stainless-steel business. Being an importer, the firm will be vulnerable to variations in forex rates.

#### **Highly fragmented and competitive steel industry:**

The steel industry is highly fragmented and competitive due to the presence of large number of organized and unorganized players. Also, the steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Credit Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)



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### [Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

#### **Liquidity: Adequate**

SRML's liquidity position improved and stood adequate, marked by moderate cash accruals of Rs. 9.52 crore during FY22 (PY: Rs. 5.82 crore) and a current ratio of 1.54x as on March 31, 2022. The company expects gross cash accruals of Rs. 14.34 crore against total debt repayment obligation of Rs. 1.24 crore in FY23. Its capex requirement of Rs. ~10 crore in FY23 for the expansion of plant will be funded through Term loan and internal accruals of the company. The average fund-based working capital utilization of the company stood low at ~22% for the trailing 12 months ended September 2022.

#### **About the Company:**

Mumbai-based Shree Ramdev Metalex LLP (SRMLLP) is part of Shree Ramdev Group of Companies. The group was founded by Mr. Prabhudayal Dharamji Purohit in 1972. The company was established in 2015 & used to be in trading, but from FY21-22, it is concentrating on manufacturing and processing stainless steel goods. Shree Ramdev Group of Companies is currently headed by Abhishek Purohit and Mukesh Purohit.

#### **Financials: Standalone**

(INR Crore)

For the year ended/ As On	31-03-2021	31-03-2022
	(Audited)	(Actual)
Total Operating Income	180.45	282.88
EBITDA	14.01	20.16
PAT	3.09	8.46
Total Debt	30.66	36.97
Tangible Net-worth*	31.98	40.00
<b>Ratios</b>		
EBITDA Margin (%)	7.76	7.13
PAT Margin (%)	1.71	2.99
Overall Gearing Ratio* (x)	0.96	0.92

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Not Applicable**



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Rating History for last three years:

(INR Crore)

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding	Rating	Date(s) & Rating(s) assigned in 21-22	Date(s) & Rating(s) assigned in 20-21	Date(s) & Rating(s) assigned in 2019-2020
1	Long Term/Short Term Non-Fund Based Bank Facilities – Letter of Credit	Term Long/Short Term	47.00	IVR BBB-/Stable Outlook & IVR A3	--	--	--
3.	Long Term Fund Based/Short Term non fund Bank Facilities – Proposed	Long Term/Short Term	13.00	IVR BBB-/Stable Outlook & IVR A3	--	--	--

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. 7 Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Details of Facilities:

(INR Crore)

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility	Rating Assigned/ Outlook
Long Term Fund Based /Short Term Non-Fund based Bank Facilities – Letter of Credit	--	--	--	47.00	IVR BBB-/Stable/A3
Long Term Fund Based /Short Term Non-Fund based Bank Facilities – Proposed	--	--	--	13.00	IVR BBB-/Stable/A3

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-Shree-Ramdev-dec22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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 <https://www.infomerics.com/>.