



## Press Release

**Shree Ramdev Metalex LLP (SRMLLP)**

**February 28, 2024**

### Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term/ Short Term Bank Facilities	16.00	IVR BBB-/ Stable / IVR A3 (IVR Triple B Minus with Stable Outlook / IVR A Three)	Assigned	Simple
Long Term/ Short Term Bank Facilities	60.00	IVR BBB-/ Stable / IVR A3 (IVR Triple B Minus with Stable Outlook / IVR A Three)	Upgraded and removed from "Issuer- Not- Cooperating" Category	Simple
<b>Total</b>	<b>76.00 (Rupees Seventy-six crore only)</b>			

**Details of Facilities are in Annexure 1**

### Detailed Rationale

Infomerics has upgraded the ratings of the bank facilities of Shree Ramdev Metalex LLP (SRMLLP) and removed it from issuer not cooperating category after availability of requisite information. The ratings continue to factor in established market presence, backed by extensive experience of the partners and increasing scale of operations. The rating strengths are, however, constrained by moderate capital structure and debt protection metrics, exposure to volatility in raw material prices and forex rates, highly fragmented and competitive steel industry and partnership nature of its constitution.



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### Key Rating Sensitivities:

#### Upward Factors

- Substantial increase in its operations along with profitability, leading to improvement in cash accruals and liquidity on a sustained basis.
- Sustained improvement in the capital structure and debt protection metrics.
- Improvement in the working capital cycle leading to improvement in liquidity.

#### Downward Factors

- Any decline in revenue and/or profitability impacting the debt protection metrics and overall liquidity.
- Stretch in working capital cycle impacting liquidity of the firm.
- Deterioration in the capital structure with overall gearing including quasi equity above 2x.

### List of Key Rating Drivers with Detailed Description

#### A. Key Rating Strengths

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

The four-decade long experience of the partners in the stainless-steel industry, their understanding of market dynamics and healthy relationships with customers has helped the firm establish its market position and draw repeat orders from large customers.

##### **Increasing scale of operations**

In FY23, the total operating income of firm has increased by 51.35% from Rs. 282.88 crore in FY22 to Rs. 428.15 crore in FY23 on the back of increase in sales volume and average sales realisation for the products manufactured by the firm. However, EBITDA and PAT margin decreased from 7.30% and 2.98% in FY22 to 4.83% and 1.61% in FY23 respectively. The firm had shifted its manufacturing facility in the first half of FY23 which affected the operations and thereby profitability. In 9MFY24 (Unaudited) the firm has achieved revenues of Rs. 352.06 crore and EBITDA and PAT margin 6.08% and 1.95% respectively. The SRMLLP's ability to sustain the growth in its top line without compromise in margins will remain a key rating monitorable going forward.



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### **B. Key Rating Weaknesses**

#### **Moderate capital structure and debt protection metrics:**

SRMLLP's total indebtedness is moderate with overall gearing and TOL/TNW including quasi equity at 1.75x and 3.82x respectively as on March 31, 2023 as against at 0.92x and 2.50x respectively as on March 31, 2022. The overall gearing has deteriorated mainly on account of additional working capital borrowings with increase in operations as it is a working capital-intensive business. Total debt has increased from Rs. 36.98 crores as on March 31, 2022, to Rs. 68.90 crores as on March 31, 2023. The total debt of Rs. 68.90 crores comprise of working capital bank borrowing of Rs. 48.08 crores, unsecured loans from related parties of Rs. 14.57 crores (excluding Rs. 4.50 crore which is considered as quasi equity), and long-term debt of Rs. 6.25 crore from banks and NBFCs.

The firm is executing a capex of Rs.21.72 crores which is being funded by promoter's contribution of Rs.5.01 crores, internal accruals of Rs. 11.38 crores and the term debt of Rs. 5.33 crores. The firm is expanding its existing factory premise to install the setup necessary for the laser cutting machines which will improve operational efficiency. The firm has already incurred Rs. 19.33 crore as on January 31, 2024.

Debt protection metrics like interest coverage ratio stood comfortable at 3.44x as on March 31, 2023 (PY: 5.62x). However, total debt to GCA stood moderate at 8.60 years in FY23 (PY: 3.89 years).

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

Stainless steel is the key raw material for SRMLPP. The steel industry is cyclical in nature with prices for the commodity driven by changing demand and supply conditions in the market which also has strong linkages to the global market. Further, firm imports 50% of raw material from Korea and other countries which makes the firm vulnerable to currency exchange risk. The unhedged exposure as on December 31, 2023, stood at Rs. 0.96 crore. Thus, profitability is susceptible to fluctuations in the cost of the key raw materials and variations in forex rates. EBITDA margin deteriorated to 4.83% in FY23 from 7.30% in FY22. For 9MFY24 (Unaudited) EBITDA margin improved to 6.08%.



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### **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.

### **Partnership nature of its constitution**

Being a partnership firm, SRMLLP has limited ability to raise capital as it has restricted access to external borrowings where personal networth and credit worthiness of partners affect decisions of prospective lenders. Further, it is susceptible to risks of withdrawal of partners' capital at time of personal peril and lack of succession decisions may raise the risk of dissolution of the entity.

### **Analytical Approach: Standalone**

#### **Applicable Criteria:**

[Criteria on Default Recognition](#)

[Criteria of assigning rating outlook](#)

[Rating methodology for Manufacturing companies](#)

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

### **Liquidity: Adequate**

SRMLLP's liquidity position is adequate marked by moderate cash accruals of Rs. 8.02 crore during FY23 against debt repayment obligation of Rs. 0.73 crores in FY23. The firm expects gross cash accruals of Rs. 11.90 crore to Rs. 17.84 crore in the projected period FY24-26 against debt repayment obligation of Rs. 0.81 crore in FY24 and Rs. 2.24 crore each year in FY25 and FY26. The average fund-based working capital utilization of the firm stood moderate at ~ 70%% for the last 12 months ended December 2023. The firm has been using fund based sublimit of its non-fund-based limits. The firm had a cash balance of Rs.0.31 crores as on March31, 2023. The current ratio stood at 1.36x as on March 31, 2023.



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### About the company

Mumbai-based Shree Ramdev Metalex LLP (SRMLLP) is part of Shree Ramdev Group of Companies founded by Mr. Prabhudayal Dharamji Purohit in 1972. SRMLLP was established in 2015 and Bhagwati prasad Purohit, Laxmidevi Purohit, Meena M Purohit and Mukesh Purohit are the partners of SRMLLP. The company was earlier in trading, however from FY21-22, it has started manufacturing and processing stainless steel sheets, coils and circles mostly used in OEM business in the auto industry and elevator industry.

### Financials (Standalone):

(Rs. crore)		
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	282.88	428.15
EBITDA	20.66	20.67
PAT	8.46	6.92
Total Debt	36.98	68.90
Tangible Net worth	35.50	34.94
<b>Ratios</b>		
EBITDA Margin (%)	7.30	4.83
PAT Margin (%)	2.98	1.61
Overall Gearing Ratio (x)	1.17	2.10

\*Classification as per Infomerics' standards

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

**Any other information:** Nil



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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Date(s) & Rating(s) assigned in 2023-24	Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating		Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund Based Bank Facilities - Cash Credit	Long Term	12.00	IVR BBB-/ Stable	--	--	--	--
2.	Short Term Non Fund Based Bank Facilities – Letter of Credit	Short Term	12.00	IVR A3	--	--	--	--
3.	Long Term/Short Term Non-Fund Based Bank Facilities- Letter of Credit*	Long Term/ Short Term	52.00	IVR BBB-/ Stable/ IVR A3	IVR BBB-/ Negative; Issuer Not Cooperating/ IVR A3; Issuer Not Cooperating (December 28, 2023)	IVR BBB-/ Stable/ IVR A3 (December 02, 2022)	--	--

\*Sublimit of Cash Credit available with Letter of Credit.





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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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

For more information visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long term fund-based facility – Cash Credit	--	--	--	12.00	IVR BBB-/ Stable
Short term non-fund-based facility – Letter of Credit	--	--	--	12.00	IVR A3
Long term/ Short term non-fund-based facility – Letter of Credit*	--	--	--	52.00	IVR BBB-/ Stable / IVR A3

*\*Sublimit of Cash Credit available with Letter of Credit.*

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-Ramdev-Metalex-feb24.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 [www.infomerics.com](http://www.infomerics.com).