



## Press Release

### Sudhesh Industries Private Limited

May 02, 2022

#### Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facilities – Term Loans	10.00	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	Assigned	Simple
Long Term Fund Based Bank Facilities – Cash Credit	20.00	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	Assigned	Simple
<b>Total</b>	<b>30.00</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale:

The ratings assigned to the bank facilities of Sudhesh Industries Private Limited derive strength from its Extensive Experience of the Promoters in the Steel Industry, Comfortable capital structure and healthy debt-protection metrics, and Prudent working capital management, However, the rating strengths are partially offset by Risk associated with volatility in the raw material prices, and Intense competition and inherent cyclical nature of the steel industry.

#### Key Rating Sensitivities:

##### Upward Factors:

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals on sustained basis.

##### Downward Factors:

- Deterioration in scale of operation coupled with deterioration in profitability on a sustained basis.



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### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths:**

##### **Extensive Experience of the Promoters in the Steel Industry:**

The Director, Mr. Sanjay Kumar Jain and Mr. Rajeev Jain have experience of more than two decades in the iron & steel industry. The experienced management and the long track record of operations have helped the group to establish a healthy relationship with its customers.

##### **Comfortable capital structure and healthy debt-protection metrics:**

The financial risk profile of the group is marked by moderate net worth, comfortable gearing, and healthy debt protection metrics. The adjusted net worth of the group stood moderate at Rs.68.48 crore in FY 2021 as compared to Rs. 47.26 crore in FY2020. The gearing of the group stood comfortable at 1.62 times as on March 31, 2021, compared to 1.15 times as on March 31, 2020. Interest coverage ratio (ICR) is healthy and stood 9.60 times in FY2021 as against 1.68 times in FY 2020. The debt service coverage ratio (DSCR) of the group also stood healthy at 3.67 times in FY2021 as compared to 3.38 times in the previous year.

##### **Prudent working capital management:**

The prudent working capital management of the group is marked by comfortable GCA days of 52 days in FY2021 as compared to 50 days in FY2020. The debtor days of the group stood comfortable at 20 days in FY2021 as compared to 23 days in the previous year. The inventory holding period of the group also stood comfortable at 32 days in FY2021 as compared to 27 days in the previous year. However, this increase in inventory in FY2021 is on account of increase in finished goods inventory as on 31st March 2021. The group has utilized 70 per cent of its working capital facility for the last six months ended December 2021.

#### **Key Rating Weaknesses:**

##### **Risk associated with volatility in the raw material prices:**

The degree of backward integration defines the ability of the group to withstand cyclical downturns generally witnessed in the steel industry. The major raw material used in the production of Billets and wire rods is steel scrap. The group does not have any long-term agreement for procurement of steel Scrap. The group procures most of the scrap from the spot market, thus exposing the group to the volatility associated with the raw material price. Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.



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### **Intense competition and inherent cyclical nature of the steel industry:**

The industry remained heavily fragmented and unorganised. The group is exposed to intense competitive pressures from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

### **Analytical Approach:** Consolidated

Infomerics Ratings has consolidated the business and financial risk profile of Sudhesh Industries Private Limited and Sarvottam Rolling Mills Private Limited. This is because both the entities have common management and line of business are same.

### **Applicable Criteria:**

Rating Methodology for [Manufacturing Companies](#).

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

[Guidelines on what constitutes Non-Cooperation by clients](#).

### **Liquidity: Adequate**

The Group maintains healthy cash and bank balance to meet its liquidity requirement. The group has a Cash & Bank balance of INR 8.43 crore in FY21, indicating the availability of funds to meet its debt obligations. The group recorded comfortable GCA days of 52 days in FY2021 with debtor days of the group stood comfortable at 20 days in FY2021 resulting modest average working capital utilisation at 70% during the 12 months ended December 31, 2021. Lower WC utilization provides cushion for any incremental working capital requirements going ahead. Limited dependence on external borrowing for incremental capex, provides additional comfort for overall liquidity profile of the group.

### **About the Company:**

Sudhesh Industries Private Limited (SIPL) is a registered with the registrar of companies, Kanpur on 31.12.2019. The registered office of the company is situated at Village Godni, Basahi Pargana, Tehsil & Distt. Bachrach. Promoters has acquired Sudhesh Industries Pvt Ltd.'s Kanpur one unit through NCLT in July 2020 & Production was started from April 2021, Which is presently engaged in the manufacturing of M.S.Bar T.M.T. Bar of varying grades: Fe 415, Fe 500 in 8mm to 32mm sizes. The promoters of the company proposed to set up Two 30MT Induction Furnace & Comcast plant having installed capacity of 180000 MTPA for the manufacturing of MS Billet. Sh. Sanjay Kumar Jain Sh. Rajeev Jain are promoter of the company have two decades of experienced in steel industry.



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### About Sarvottam Rolling Mills Private Limited:

Sarvottam Rolling Mills Private Limited is a Private Limited Company established at 4Km, Stone, Meerut Road, Muzaffarnagar-251003 (U.P). The Registered Office of the Company is Situated at 101, Gujrat Vihar, 2nd Floor, Vikas Marg, New Delhi-110092. The Company is engaged in the manufacturing of T.M.T Bar & M.S. Billets/ Ingots. The unit has started its commercial Production w.e.f. 18.11.2007. The installed. Capacity of the unit is 115000 MTPA for the manufacturing of MS Ingots & 110000 MTPA for the manufacturing of TMT Bars.

### Financials: Consolidated

(INR Crore)

For the year ended/ As On	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	349.62	381.70
EBITDA	4.38	17.54
PAT	2.55	9.40
Total Debt	32.94	53.39
Adjusted Tangible Net-worth	47.26	68.48
<b>Ratios</b>		
EBITDA Margin (%)	1.25	4.60
PAT Margin (%)	0.72	2.46
Overall Gearing Ratio* (x)	0.49	0.61

\* Classification as per Infomerics' standards

### Financials: Standalone

For the year ended/ As On	31-03-2021 (Audited)
Total Operating Income	0.37
EBITDA	0.13
PAT	0.04
Total Debt	43.38
Adjusted Tangible Net-worth	28.70
<b>Ratios</b>	
EBITDA Margin (%)	34.43
PAT Margin (%)	9.56
Overall Gearing Ratio* (x)	1.11

\* Classification as per Infomerics' standards

As the plant under Sudhesh Industries Private Limited COD was achieved on 1<sup>st</sup> April 2021 the consolidated of financials are started from FY2022-23.

**Status of non-cooperation with previous CRA: Nil**

**Any other information: NA**

**Rating History for last three years:**



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(INR Crore)

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding	Rating	Date(s) & Rating(s) assigned in 20-21	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Long Term Fund Based Bank Facilities – Term Loans	Long Term	10.00	IVR BBB-/ Stable	--	--	--
2	Long Term Fund Based Bank Facilities – Cash Credit	Long Term	20.00	IVR BBB-/ Stable	--	--	--

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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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 Bank Facilities – Term Loans	--	--	March-2027	10.00	IVR BBB-/ Stable
Long Term Fund Based Facility – Cash Credit	--	--	--	20.00	IVR BBB-/ Stable

### Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Consolidated Approach
Sudhesh Industries Private Limited	Full*
Sarvottam Rolling Mills Private Limited	Full*

Annexure 3: Facility wise lender details: [Len-Sudhesh-May22.pdf \(infomerics.com\)](#)

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/>.