Press Release

Sonal Vyapar Private Limited

April 02, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	36.00	IVR BBB-/ Stable (IVR triple B minus with Stable Outlook)	-	Rating assigned	Simple
Short Term Bank Facility	1.00	IVR A3 (IVR A three)	-	Rating assigned	Simple
Total	**37.00 (INR thirty-seven crores 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 rating assigned to the bank facilities of Sonal Vyapar Private Limited (SVPL) considers the common management team and financial linkages between SVPL and its Group company, Sonal Irons Industry Private Limited (SIIPL). Infomerics has taken a combined view of these entities referred together as OPG Group.

The rating assigned to the bank facilities of Sonal Vyapar Private Limited (SVPL) has taken into account the long track record of operations, experienced management, and steady business risk profile. Further, the rating also factor in the above average financial risk profile and moderate working capital management. However, the rating is constrained by thin profitability margins and intense competition and inherent cyclical nature of steel industry.

The rating outlook assigned to the long-term rating is Stable as it is supposed to benefit from the extensive experience of the promoters along with steady business risk profile and favourable demand scenario.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in the scale of operations with improvement in profitability and cash accruals.
- Improvement in capital structure and debt protection metrics on a sustained basis.

- Managing working capital requirements efficiently leading to improvement in the operating cycle with improvement in liquidity.

Downward Factors

- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the company.
- Moderation in capital structure and/ or coverage indicators.
- Elongation in the operating cycle with moderation in liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long track record of operations and experienced management**
  OPG Group has a long operational track record of more than four decades. In addition to this, the key promoter of the Group, Mr. Alok Gupta, has been in the industry for more than two decades and has a strong understanding of local market dynamics. The promoter's background, experience and healthy relations with suppliers and customers will benefit the company from going forward, resulting in steady growth in the scale of operations.

- **Steady business risk profile**
  The revenue of the Group decreased by 8.59% to Rs. 341.12 Cr in FY2024 (refers to period April 1st, 2023, to Mar 31, 2024) from Rs.373.18 Cr in FY2023 (refers to period April 1st, 2022, to Mar 31, 2023) on account of decline in average realization of the products which was driven by a sharp fall in the prices of steel in the fiscal year. Nevertheless, the Group has already achieved a revenue of Rs. 245.52 Cr in 9MFY2025 (refers to period April 1st, 2024, to December 31, 2024) (Provisional) as compared to Rs.254.07 Cr as on 9MFY2024 (refers to period April 1st, 2023, to December 31, 2023) (Provisional).

  In 9MFY2025, despite the halt in production for 5 months (September 2024 to January 2025) on account of the replacement of one of the rolling mills to produce TMT replacing other rolling products in SIIPL; the Group has achieved similar level of revenue as compared to 9MFY2024. In Q4FY2025, the revenue expected to improve further due to the ramp up in TMT sales. Going forward, the sustenance of the growth of the revenue of the Group will be a key rating sensitivity.

- **Moderate working capital management**

  The working capital management of the Group is moderate marked by the operating cycle of 85 days as on 31st March 2024 as compared to 73 days as on 31st March 2023. The operating cycle is predominantly driven by the moderate debtor level and inventory holding during the same period. The debtor period stood at 64 days as on 31st March 2024 as compared to 55 days as on 31st March 2023. Further, the inventory holding stood at 57 days as on 31st March 2024 as compared to 48 days as on 31st March 2023. Going forward, the working capital management of the company will remain at similar levels owing to the nature of the industry.

- **Above average financial risk profile**

  The Group has a moderate leveraged capital structure. The tangible net worth (TNW) of the Group increased to Rs.71.29 Cr as on March 31, 2024, from Rs.65.32 Cr as on March 31, 2023, due to accretion of reserves. The gearing of the Group stood moderate at 1.38x as on March 31, 2024, as against 1.09x as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) also stood moderately high at 1.96x as on March 31, 2024, as against 1.71x as on March 31, 2023. The debt protection metrics of the Group stood moderately comfortable marked by Interest Coverage Ratio at 2.78x as on March 31, 2024, and Debt Service Coverage Ratio at 1.88x as on March 31, 2024. The total debt/EBITDA stood high at 6.36x as on March 31, 2024. Going forward, the capital structure of the company will deteriorate in FY2025 in presence of debt funded capex plan, nevertheless the same will improve since FY2026.

Key Rating Weaknesses

- **Thin profitability margins**

  The profitability margins of the Group remained thin primarily owing to intense competition, fluctuating raw material and labour costs and the cyclical nature of the steel industry. Nevertheless, the EBITDA margin has increased from ~3.64% in FY2023 to ~4.52% in FY2024 mainly due to decline in raw material prices. Again, the PAT margin of the Group increased to 1.74% in FY2024 from 1.69% in FY2023. Further, the EBITDA margin of the Group stood at 4.54% and PAT margin of the Group stood at 1.43% in 9MFY2025 (Provisional). Going forward, the EBITDA margins are expected to increase in projected years in lieu of setting up of captive solar power plants. ~75% of the Group's power consumption will be met by the upcoming captive solar power plants, which will in turn save the operating cost.

In the medium term, the growth in the profitability margins of the Group will be a key rating monitorable.

- **Intense competition and inherent cyclical nature of steel industry**
  The downstream steel industry remains heavily fragmented and unorganised. The company is exposed to intense competitive pressures from a 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: Combined

For the purpose of rating, we have combined the financial statements of Sonal Irons Industry Private Limited (SIIPL) and Sonal Vyapar Private Limited (SVPL). This is because these companies are under control of same promoters, have business and financial linkages.

List of companies considered for combined analysis is given at Annexure 4.

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Consolidation of companies

Policy on default recognition

Complexity level of rated Instruments/Facilities

Liquidity– Adequate

The Group has adequate liquidity position marked by sufficient net cash accruals vis-a-vis debt repayment obligations. The gross cash accruals stood at Rs.9.37 Cr in FY2024 as against debt obligations of Rs.2.38 Cr for the same period. The current ratio stood comfortable at 1.69x as on March 31, 2024, and the Quick Ratio also stood comfortable at 1.03x as on March 31, 2024. The cash and bank balances of the Group stood at Rs.5.71 Cr as on March 31, 2024. The average fund-based limit of the Group remains moderately high utilised at around

84.63% over the twelve months ended January 2025, indicating sufficient cushion. Going forward, the liquidity position of the Group is likely to improve supported by steady accruals.

About the Company

Incorporated in 1984, Sonal Vyapar Private Limited is a Tamil Nadu based company, which is engaged in manufacturing of structural steel. The company is part of the OPG group and headed by Mr. Alok Gupta and Mr. R. Raajsekaran. The manufacturing facility is in Salem. The installed capacity of the furnace and rolling mills is 69,600 MT per annum.

Financials (Standalone): **(Rs. crore)**

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	239.14	231.13
EBITDA	2.68	3.52
PAT	2.27	2.21
Total Debt	17.02	30.09
Tangible Net Worth	29.18	31.39
EBITDA Margin (%)	1.12	1.52
PAT Margin (%)	0.95	0.95
Overall Gearing Ratio (x)	0.58	0.96
Interest Coverage (x)	7.02	2.65

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2025-26)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	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
					-	-	-
1.	Term Loans	Long Term	18.00	IVR BBB-/ Stable	-	-	-
2.	Cash Credit	Long Term	18.00	IVR BBB-/ Stable	-	-	-
3.	Bank Guarantee	Short Term	1.00	IVR A3	-	-	-

Analytical Contacts:

Name: Kaustav Saha Tel: (033) 48033621 Email: kaustav.saha@infomerics.com	Name: Sandeep Khaitan Tel: (033) 48033621 Email: sandeep.khaitan@infomerics.com

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.

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 and definition of ratings please visit www.infomerics.com.

Annexure 1: Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	February 2033	18.00	IVR BBB-/ Stable
Cash Credit	-	-	-	-	18.00	IVR BBB-/ Stable
Bank Guarantee	-	-	-	-	1.00	IVR A3

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-sonalvyapar-apr25.pdf
Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis:

Name of the company	Consolidation Approach
Sonal Irons Industry Private Limited (SIIPL)	Full Combined
Sonal Vyapar Private Limited (SVPL)	Full Combined

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.