November 26, 2024

Savera India Riding Systems Company Private Limited: Ratings upgraded to [ICRA]BB+(Stable)/[ICRA]A4+

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Fund based – Cash credit	10.00	10.00	[ICRA]BB+(Stable); upgraded from [ICRA]BB(Stable)
Long-term/Short-term – Unallocated	5.00	5.00	[ICRA]BB+(Stable)/[ICRA]A4+; upgraded from [ICRA]BB(Stable)/ [ICRA]A4
Total	**15.00**	**15.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings upgrade of Savera India Riding Systems Company Private Limited (SRPL) reflects the expectations of steady growth in the company's turnover in near term driven by favourable demand prospects and likely improvement in profitability going forward, translating into an overall healthy credit profile. The company benefits from its market leadership position in India, and comfortable domestic demand prospects. However, over the last 1-2 years, significant low-cost Chinese imports impacted realisations and, thus, sales and profitability expansion. ICRA notes that SRPL has initiated efforts for the imposition of anti-dumping duty as well as Bureau of Indian Standards (BIS) certification, which will help in curbing the Chinese imports. This will lead to improvement in realisations as well as profitability for domestic producers like Savera India.

The ratings continue to favourably factor in the established track record of the promoters in manufacturing elevator guide rails and allied products and its associations with well-established elevator manufacturing companies. The capital structure and coverage indicators remain comfortable even as the company undertakes sizeable capex. SRPL is expected to ramp-up its operations, going forward, on the back of a healthy order inflow supported by capacity expansion.

The ratings are, however, constrained by the exposure to cyclicality in the real estate and steel sectors, along with susceptibility of profit margins to competition from low-cost Chinese products (especially rail guides) and adverse fluctuation in raw material prices. ICRA also notes that while the entity is a market leader in the domestic guide rails industry, its scale of operations remains low, with a moderate operating profit profile.

The Stable outlook on the [ICRA]BB+ rating reflects ICRA's opinion that SRPL will continue to report steady improvement in its revenue and profitability, supported by associations with well-established elevator manufacturing companies, translating into a comfortable credit profile.

Key rating drivers and their description

Credit strengths

Extensive experience and support from promoter group – SRPL was incorporated in March 2005 by Spain-based Savera Group and its Indian promoters - Mr. Vinay Kothari and Mr. Girish Jain. In FY2023, Mr. Girish Jain sold his stake to the Savera Group. SRPL receives financial and operational support through technology transfer from the holding company, Perfiles Especiales Selak S.L. (PESL) (part of the Savera Group).

Reputed client base - The company's clientele includes reputed names like Schindler India Pvt. Ltd., Otis Elevator Company Pvt Ltd, Mitsubishi Elevator India Private Limited, etc., which ensures repeat orders. With recovery in the end-user real estate segment, the demand prospects remain favourable for elevator manufacturers and thus, SRPL.

Comfortable capital structure and coverage indicators - The company's capital structure continued to be comfortable with the strengthening of its net worth position to Rs. 34.7 crore as on March 31, 2024, and limited debt requirements. The gearing stood at 1.1 times as on March 31, 2024 (P.Y. 0.9 times as on March 31, 2023). The coverage indicators were comfortable, given their low debt and marginal interest outgo, with interest coverage of 4.0 times and TOL/TNW of 0.8 times as on March 31, 2024. The capital structure and coverage indicators are expected to remain comfortable with limited debt requirements.

Credit challenges

Range-bound scale of operations and modest operating margin profile – The company's operating income had remained in the range of Rs. 70-100 crore for the last five years till FY2021, mainly because the order inflow depends on the cyclicality in the real estate and steel sectors. The company's revenue of Rs. 146.6 crore in FY2024, which, though modest, was lower than the previous fiscal. The company's operations are expected to improve in the current fiscal due to a healthy order flow as well as increased capacity. The company has a modest operating margin profile in the range of 6-8% because of high volatility in raw material prices.

Limited bargaining power with established elevator manufacturing companies – The company has established linkages with reputed elevator companies and has received repeat orders. However, the high customer concentration with the top five customers accounting for 85-90% of the total sales limits SRPL's bargaining power, constraining profitability.

Exposure to cyclicality in real estate and steel sectors - The rail guides manufactured by SRPL are used by elevator companies. Hence, the demand is directly related to the construction and real estate sectors, making the company's revenue vulnerable to the cyclicality in the real estate industry. The sales realisation also depends on the price of raw material, i.e., T-sections made of scrap and sponge iron. Although the prices generally move in tandem, there could be short-term mismatches in raw material and end-product prices, which are linked to the commoditised steel prices, resulting in volatility in margins. The pace of revenue growth will remain contingent on these sectors and will be a key rating monitorable.

Intense competition from low-cost Chinese products - The company faces intense competition from low-cost Chinese manufacturers. However, SRPL has managed to secure its position in the market with superior quality of its products and an established clientele.

Liquidity position: Adequate

SRPL's liquidity is adequate with sufficient cushion available in the form of undrawn working capital limits. The long-term debt repayment obligations are comfortable (Rs. 3.28 crore) for FY2025 against the expected cash generation. Further, the company has capex plans in place, which will be funded by ECBs from the parent, term loans and internal accruals.

Rating sensitivities

Positive factors – ICRA is likely to upgrade SRPL's ratings if it demonstrates a consistent revenue growth while improving the profitability indicators. This, along with an improved liquidity and net worth position on a sustained basis, would support an upgrade.

Negative factors – The ratings may be downgraded if there is a sharp decline in sales and profitability, weakening the liquidity profile and the key credit metrics. Moreover, interest coverage below 2.5 times can result in rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of SRPL

About the company

Savera India Riding Systems Company Private Limited (SRPL) was incorporated in March 2005 and began its commercial operations in May 2007. The company is a joint venture between Indian promoters (Mr. Vinay Kothari & Mr. Girish Jain) and Spain-based Savera Group (through its wholly owned subsidiary Perfiles Especiales S.L. (PESL)). The Spanish company increased its stake in SRPL to 73% in FY2023 from 54% in FY2019. SRPL benefits from its promoter group through financial assistance and technology transfer from the holding company.

SRPL manufactures elevator guide rails, which are a part of the inner workings of most elevator and lift shafts, functioning as the vertical, internal track. Manufacturing activities for the company have been traditionally carried out at the Taloja MIDC unit in Raigad district, Maharashtra. The building and land for the Kancheepuram (Tamil Nadu) plant are provided by Savera Kothari India Pvt. Ltd. (SKIPL) and machinery is of SRPL. SRPL pays a processing fee to SKIPL, which carries out the operational work for the former. The company has an aggregate installed capacity of 26,000 metric tonnes per annum (MTPA).

Key financial indicators (audited)

SRPL Standalone	FY2022	FY2023	FY2024
Operating income	137.1	152.3	146.6
PAT	9.0	4.8	3.4
OPBDIT/OI	8.9%	7.1%	6.0%
PAT/OI	6.5%	3.2%	2.3%
Total outside liabilities/Tangible net worth (times)	0.9	1.1	0.8
Total debt/OPBDIT (times)	0.9	2.1	1.9
Interest coverage (times)	19.2	7.0	4.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs Crore)	Nov 26, 2024	Date	Rating	Date	Rating	Date	Rating
Cash Credit	Long Term	10.00	[ICRA]BB+ (Stable)	Aug 31, 2023	[ICRA]BB (Stable)	May 27, 2022	[ICRA]BB (Stable)	Feb 26, 2021	[ICRA]BB- (Stable)
Unallocated	Long term/ Short term	5.00	[ICRA]BB+ (Stable)/ [ICRA]A4+	Aug 31, 2023	[ICRA]BB (Stable)/ [ICRA]A4	May 27, 2022	[ICRA]BB (Stable)/ [ICRA]A4	Feb 26, 2021	[ICRA]BB- (Stable)/ [ICRA]A4

Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash Credit	Simple
Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Cash Credit**	NA	NA	NA	10.00	[ICRA]BB+(Stable)
NA	**Unallocated**	NA	NA	NA	5.00	[ICRA]BB+(Stable)/[ICRA]A4+

Source: Company

Annexure II: List of entities considered for consolidated analysis- Not Applicable

ANALYST CONTACTS

Girishkumar Kashiram Kadam
+91-22-61143441
girishkumar@icraindia.com

Prashant Vasisht
+91 12 4454 5322
prashant.vasisht@icraindia.com

Ankit Jain
+91 12 4454 5865
ankit.jain@icraindia.com

Harshita Singh
+91 8604945065
harshita.singh@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches