

March 10, 2025

Sai Deepa Rock Drills Pvt. Ltd.: Long-term rating reaffirmed; short-term rating withdrawn

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fund-based – Long-term – Cash credit	31.25	41.25	[ICRA]BBB (Stable); reaffirmed
Fund-based – Long-term – Term loans	17.10	9.75	[ICRA]BBB (Stable); reaffirmed
Long-term/short-term – Unallocated	2.65	-	[ICRA]BBB (Stable)/ [ICRA]A3+; reaffirmed for long-term rating and reaffirmed and withdrawn for short-term rating
Total	51.00	51.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation for Sai Deepa Rock Drills Pvt. Ltd (SDRDPL) favourably factors in the sustenance of steady revenue growth in the medium term, supported by improved demand for its rock drilling equipment manufacturing (drilling bits and hammers) products. The ratings are supported by SDRDPL’s established presence in the rock drilling equipment manufacturing sector and the diverse end-user segments catered by it.

The ratings are, however, constrained by the susceptibility of profitability margins to volatility in raw material prices, coupled with SDRDPL’s limited ability to pass on the price hikes amid competition from large national and international players in the drilling tools industry. The operating margins declined to 8.1% in FY2024 from 11.9% in FY2023 on account of increase in raw material prices (key raw materials being alloy steel and tungsten carbide). However, it is expected to improve to more than 10% levels in FY2025, aided by scale benefits and reduction in raw material prices. The ratings are also constrained by high working capital intensity owing to elongated receivable cycle and high inventory levels mainly due to an extended credit period offered to export customers and requirement to maintain finished products inventory to cater to replacement demand. The ratings consider the higher product concentration with majority of its revenue derived from bits and hammers.

The Stable outlook on the long-term rating reflects ICRA’s opinion that SDRDPL will be able sustain the revenue growth, supported by its established presence in the rock drilling industry and improved demand from end-user segments.

ICRA has also withdrawn the short-term rating on account of no amount outstanding against the said limit and as per ICRA’s policy of withdrawal.

Key rating drivers and their description

Credit strengths

Established presence in rock drilling equipment business – SDRDPL is an established player in the rock drilling industry with its product profile comprising drilling bits, tricone bits, hammers, top hammers and ancillary products, etc. The company’s products are used in diverse set of segments such as water drilling, mining, construction, quarry, and tunnelling, etc.

Healthy revenue growth – The company’s revenues improved to Rs. 293.2 crore in FY2024 from Rs. 229.0 crore in FY2022. The growth is expected to sustain in the medium term, supported by improved demand for its products. Its domestic revenues

increased by 15.4% to Rs. 178.3 crore in FY2024 over FY2023, driven by improved acceptance of the products in the domestic market.

Adequate financial risk profile – The company’s total debt stood at Rs. 87.0 crore as on September 30, 2024, which comprises working capital borrowings of Rs. 44.2 crore, unsecured loans of Rs. 29.4 crore and term loans of Rs. 13.5 crore. The TOL/TNW stood at 1.0 times as on September 30, 2024, which improved from 1.3 times as on March 31, 2023 on account of scheduled repayment of term loans. The interest coverage moderated to 3.5 times in FY2024 from 6.9 times in FY2023 owing to decline in operating profits. However, it improved to 6.3 times in H1 FY2025 due to an increase in operating profits, which is expected to remain at healthy levels in the medium term.

Credit challenges

Working capital-intensive operations – The company’s operations are working capital intensive in nature owing to elevated debtor and inventory days. SDRDPL’s debtors are high as it offers an extended credit period to its key customers. The conversion cycle to manufacture bits is around 3-4 weeks and for hammers is ~2-3 months, which results in high inventory days. Nonetheless, it maintains adequate buffer in the working capital facilities, as evident from the moderate utilisation of CC limits at 63% for the last fifteen months ending January 31, 2025.

Concentrated product portfolio – The company primarily manufactures down the hole (DTH) products and derives a major portion of its revenues from only two products – bits and hammers – resulting in high product concentration risk. However, its established product profile mitigates the risk to an extent.

Susceptibility of margins to fluctuations in raw material prices and foreign exchange rates – The key raw materials used in manufacturing of bits and hammers are alloy steel and tungsten carbide. SDRDPL’s margins remain susceptible to movement in raw material prices, given the limited ability to pass on price rise to its key customers amid stiff competition. The company’s operating margins declined to 8.1% in FY2024 from 11.9% in FY2023 on account of increase in raw material prices. However, it is expected improved to more than 10% in FY2025 owing to scale benefits and reduction in raw material prices. The margins remain susceptible to fluctuations in foreign exchange rates with the company deriving ~35% of its revenues from exports. Nevertheless, it imports a part of its raw material requirement, which provides a natural hedge to an extent.

Liquidity position: Adequate

SDRDPL’s liquidity position is adequate, aided by cushion in working capital limits. The average utilisation of working capital limits stood moderate at 63% for the last fifteen months that ended in January 2025. The company had cash and bank balances of Rs. 2.5 crore as on September 30, 2024. The estimated cash flow from operations is expected to be sufficient to meet the scheduled loan repayments, capex requirements in the medium term.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates a healthy improvement in its scale of operations, while improving its profitability resulting in improvement of debt coverage metrics. Further, reduction in working capital cycle resulting in improvement in liquidity will be a positive for the ratings.

Negative factors – Pressure on the ratings may arise if there is any decline in scale of operations and/or reduction in earnings or stretch in receivables weakens its liquidity position on a prolonged basis. Specific credit metrics that could trigger a rating downgrade would include Total debt/OPBIDTA of more than 2.5 times, on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Policy on withdrawal of credit ratings
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

SDRDPL was incorporated in 2000 by Mr. Ranga Rao Nutakki and his family in Hyderabad. It manufactures rock drilling tools, which are used in water well drilling, oil and gas mining, quarry, construction, tunnelling and well drilling. The company started operations in 2001 from its manufacturing unit in Cherlapally, Hyderabad (Telangana). The total capacity of the plant is 7,200 MTPA. It also has a 1.1-MW solar power plant for captive use in Bhongiri (Telangana).

Key financial indicators (audited)

SDRDPL(Standalone)	FY2023	FY2024
Operating income	289.1	293.2
PAT	21.5	18.8
OPBDIT/OI	11.9%	8.1%
PAT/OI	7.4%	6.4%
Total outside liabilities/Tangible net worth (times)	1.3	1.0
Total debt/OPBDIT (times)	2.5	3.4
Interest coverage (times)	6.9	3.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount 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	Chronology of rating history for the past 3 years								
	Current (FY2025)			FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Mar 10, 2025	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	41.25	[ICRA]BBB (Stable)	Dec 11, 2023	[ICRA]BBB (Stable)	Sept 30, 2022	[ICRA]BBB (Stable)	Jun 24, 2021	[ICRA]BBB (Stable)
Term loans	Long term	9.75	[ICRA]BBB (Stable)	Dec 11, 2023	[ICRA]BBB (Stable)	Sept 30, 2022	[ICRA]BBB (Stable)	Jun 24, 2021	[ICRA]BBB (Stable)
Unallocated	Long term/ Short term	0.00	[ICRA]BBB (Stable)/ [ICRA]A3+; reaffirmed for long-term rating and reaffirmed and withdrawn for short-term rating	Dec 11, 2023	[ICRA]BBB (Stable)/ [ICRA]A3+.	Sept 30, 2022	[ICRA]BBB (Stable)/ [ICRA]A3+.	Jun 24, 2021	[ICRA]BBB (Stable)/ [ICRA]A3+.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Cash credit	Simple
Long-term – Fund-based – Term loans	Simple

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	Fund-based – Cash credit	NA	NA	NA	41.25	[ICRA]BBB (Stable)
NA	Fund-based – Term loan	December 2022	NA	March 2027	9.75	[ICRA]BBB (Stable)
NA	Unallocated	NA	NA	NA	0.00	[ICRA]BBB (Stable)/ [ICRA]A3+; reaffirmed for long-term rating and reaffirmed and withdrawn for short-term rating

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

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

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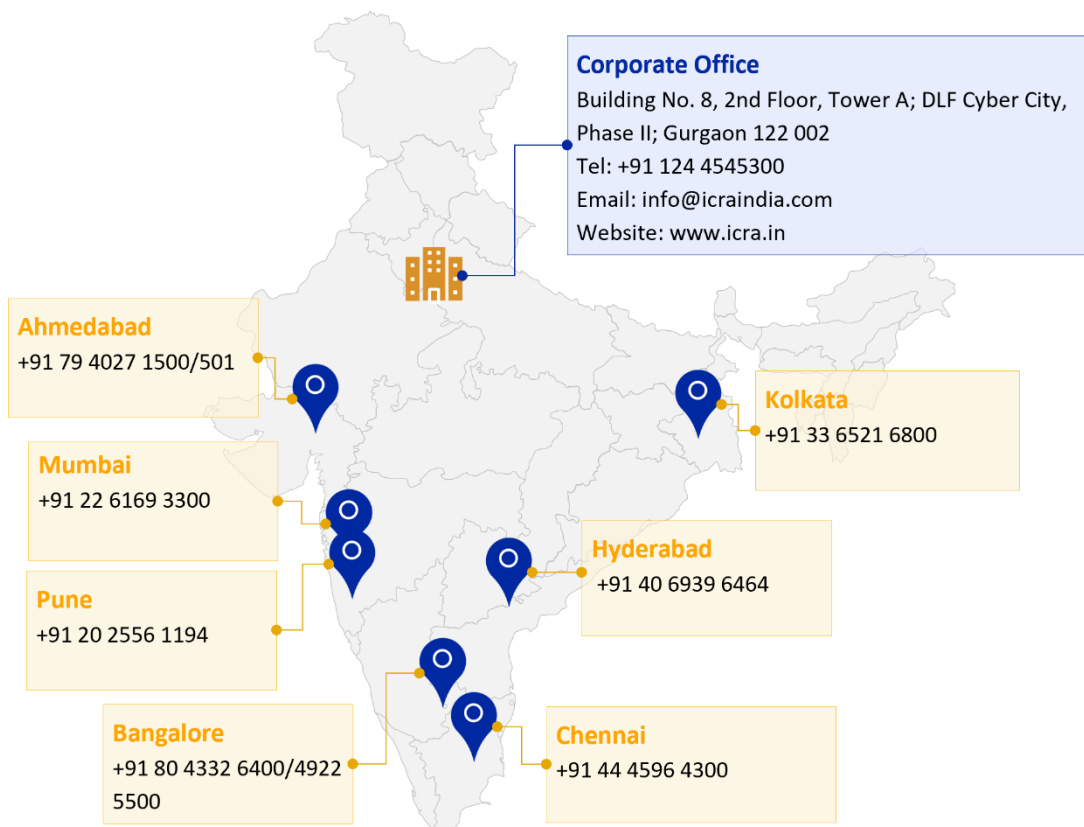


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