

July 30, 2025

Surya Roshni Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short term - Non-fund based - BG/Letter of credit	100.00	100.00	[ICRA]A1+; reaffirmed
Interchangeable/Commercial paper	(100.00)	(100.00)	[ICRA]A1+; reaffirmed
Total	100.00	100.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation favourably factors in Surya Roshni Limited's (SRL) strong operational profile, supported by its established market position in the domestic electric resistance welded (ERW) pipes industry, its geographically diversified manufacturing base, a pan-India distribution network, its long track record of over four decades and its established brands, Surya and Prakash Surya. Further, the rating action considers SRL's healthy financial risk profile, a sustained healthy operating performance over the years and its comfortable liquidity position.

In FY2025, SRL's performance remained healthy with a turnover of Rs. 7,435 crore and operating margin (OPM) of 7.8%. While the volume in the steel pipe division remained steady, the decline in steel prices moderated the overall revenue. The revenue from the lighting business grew at ~8% to ~Rs. 1,690 crore with an OPM of ~9%. In the current fiscal, the performance is expected to improve, aided by steady volumetric growth in the steel pipes division on the back of optimal utilisation of its existing capacities and a ramp-up of the upcoming capacities in FY2026, in addition to a healthy performance of the lighting division.

ICRA expects the company's financial risk profile to remain strong over the medium term, backed by healthy internal accruals. Along with this, the steady profit margins are expected to help the company maintain healthy coverage metrics despite the working capital-intensive nature of operations. ICRA notes that the steps being taken by SRL to streamline its working capital cycle have favourably contributed to its cash flow generation and have enabled the company to prepay its debt obligations, leading to nil term loan as on March 31, 2025, coupled with minimal working capital debt.

The rating is, however, constrained by intense competition in the steel, lighting as well as consumer appliances segments due to the presence of both organised and unorganised players. This moderates SRL's pricing power, making it more vulnerable to the volatility in raw material prices. Moreover, the cyclicity inherent in the steel business is likely to keep its margins and cash flows vulnerable to the fluctuations in raw material prices and demand for the final products.

Key rating drivers and their description

Credit strengths

Experienced promoters and long track record of the company – SRL has been in the steel business since 1973 and diversified into the lighting business in 1985. The promoter and Executive Chairman of the company, Mr. J P Agarwal, has a rich experience of over four decades in the industry. Further, SRL has separate management teams headed by executive directors and CEOs for the steel pipes and strips and lighting and consumer durables businesses. The management teams consist of experienced professionals in the respective segments.

Healthy operational profile – SRL has a healthy operational profile, characterised by its established brands (Surya and Prakash Surya), its strong market position in the domestic electric resistance welded (ERW) pipes industry, its geographically diversified manufacturing base and a pan-India distribution network. Together with a track record of repeat business from a diversified client base, these strengths have facilitated a healthy utilisation of its installed capacities over the years. Further, these strengths have enabled the company to grow at a healthy pace, reflected in a compounded average growth rate of over 6% in SRL's revenues during the last five years (FY2021-FY2025).

Healthy and improving financial risk profile – SRL has a comfortable financial risk profile, characterised by a conservative capital structure with nil term debt and minimal working capital borrowings of Rs. 3.1 crore as on March 31, 2025 and healthy debt coverage metrics with an interest cover of 27.9 times and DSCR of 23 times in FY2025 (interest cover of 23.8 times and DSCR of 19 times in FY2023). A healthy growth in turnover, supported by continued growth in volumes and an increase in realisations, together with a prudent working capital management in FY2025, helped the company generate robust free cash flows. The company used the surplus liquidity for deleveraging its balance sheet. Sustained healthy volumes along with expectations of steady profitability are expected to keep the company's incremental reliance on debt low for the planned capital expenditure requirements and keep its capitalisation and coverage metrics healthy.

Credit challenges

Working capital-intensive operations – SRL's business remains working-capital intensive, with a high inventory holding requirement of 50 days in FY2025 (57 days in FY2024), exposing the profitability to the volatility in raw material prices. However, the healthy accruals over the years have reduced the overall utilisation of the working capital limits as corroborated by fund-based utilisation of 26% of the sanctioned limits in the 12 months ended May 2025.

Vulnerability to fluctuation in raw material prices in steel segment – The company manufactures steel pipes, which is a limited value addition business. Therefore, SRL being a steel converter, is exposed to the volatility in steel prices on account of a lag in price adjustments following the fluctuations in the price of hot-rolled coils, in addition to the maintenance of inventory to cater to the market demand in a timely manner. Hence, a prudent working capital management is crucial to safeguard against any significant price movement. Nevertheless, a part of its steel pipe business is backed by confirmed orders, which mitigate the inventory price fluctuation risk to some extent. Also, the company's focus on working capital management and increasing the proportion of value-added products in the revenue mix mitigates the risk to some extent. Nevertheless, in case of an adverse demand-supply scenario, the inability to pass on the raw material price hike to its buyers could adversely impact its profitability.

Intense competition in steel, lighting, as well as consumer appliances segments – The ERW pipes market is inherently competitive with the presence of several large established players like APL Apollo, Jindal Pipes, Welspun Corp. etc. As ERW pipe manufacturing is not a capital-intensive process, the entry barriers for new players are low and, hence, the industry has many unorganised players too. Further, the domestic lighting and consumer appliance industries have several large and diversified players such as Philips and Havells, besides imports, as well as single product/segment companies and unorganised players, given the low entry barriers in the form of capital requirements and technological complexity. Stiff competition from several organised and unorganised players limits the pricing flexibility and results in moderate profitability.

Environmental and Social Risks

The company, owing to its presence in the steel tubes and lighting manufacturing industry, faces several environmental risks as it remains dependent on the consumption of power and fuel for running its mills. The manufacturing process involves carbon emission and other chemical waste discharge, exposing the company to the risks of strict regulations or investing in alternative, environment-friendly manufacturing methods and technologies in the future. However, the company has been undertaking various initiatives to address the environmental issues. Its operating units are compliant with all the environmental regulations and various statutory approvals/permits granted by the authorities. Further, it aims to reduce CO2 emissions, in sync with its approach towards building a sustainable ecosystem through efficient energy consumption and optimum utilisation of natural

resources such as solar and renewable energy. Further, the company focuses on four major areas related to climate change i.e. energy conservation, water conservation, use of renewable energy and waste minimisation. In lighting manufacturing processes, high energy consumption equipment had been replaced with cost-effective energy-efficient equipment. The company regularly monitors the operations and capacity optimisation of pumps, motors and cooling tower operations, to take corrective actions. Its operating units are compliant with all the environmental regulations and various statutory approvals/permits granted by the authorities.

The company is exposed to reputational risks arising on account of various factors such as deviation in the quality of products, digital media impact and non-compliance with safety norms.

Liquidity position: Strong

SRL's liquidity position is strong, with the expected cash flow from operations remaining more than adequate to meet the margin funding requirements for the capex and working capital. This has enabled the company to prepay its entire term debt obligations, beyond the scheduled repayment obligations, over the past few years. The company's strong liquidity position is also corroborated by its healthy cushion in the form of undrawn fund-based working capital limits (on an average, the available undrawn limits stood at more than Rs. 110 crore in the six-month period ended in May 2025). As of May 2025, the cushion in the company's fund-based working capital facilities was Rs. 54 crore.

Rating sensitivities

Positive factors – Not applicable

Negative factors – ICRA could downgrade the rating in case of a sustained weakening of operating profitability, and/or if there are any aggressive debt-funded capital expenditure plans, or if there is a significant stretch in the working capital cycle that could weaken the company's liquidity, increase its leverage and moderate the debt coverage metrics. A specific metric for downgrade includes interest coverage of less than 7.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the consolidated financial statements of the company

About the company

Surya Roshni Limited (SRL) was incorporated in October 1973 as Prakash Tubes Private Limited by Mr. B.D. Aggarwal and his son Mr. J.P. Aggarwal. It began operations with a steel pipe manufacturing unit at Bahadurgarh (Haryana). In FY1985, the company diversified into manufacturing lighting products and set up its facility at Kashipur (Uttarakhand). At present, SRL has two reportable segments – (i) steel pipes and strips (ii) lighting and consumer durables. The products under both the divisions are marketed under the company's brand name, Surya.

The company now has four manufacturing units under its steel division at Bahadurgarh (Haryana), Malanpur (Madhya Pradesh), Hindupur (Andhra Pradesh) and Anjar (Gujarat). It manufactures cold-rolled (CR) strips and electric resistance welding (ERW) and spiral pipes of various grades and coated pipes at its newly established 3 LPE coating line at Anjar.

Under the lighting and consumer durables division, the company manufactures various types of lamps, including light-emitting diode (LED) lamps, LED street lights, fluorescent tube lights (FTL), general lighting service (GLS) lamps and high-intensity

discharge (HID) lamps. At present, the company is one of the major LED lighting providers in the country with a wide range of LED lamps, LED tube lights, LED down lighters and LED street lights in its LED product portfolio.

Key financial indicators (audited)

SRL Consolidated	FY2024	FY2025
Operating income	7,809.3	7,435.9
PAT	329.2	346.6
OPBDIT/OI	7.3%	7.8%
PAT/OI	4.2%	4.7%
Total outside liabilities/Tangible net worth (times)	0.3	0.3
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	23.8	27.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: 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	Type	Current rating (FY2026)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	July 30, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Non-fund based - BG/LC	Short term	100.00	[ICRA]A1+	July 17, 2024	[ICRA]A1+	July 10, 2023	[ICRA]A1+	-	-
Interchangeable/Commercial paper	Short term	(100.00)	[ICRA]A1+	July 17, 2024	[ICRA]A1+	July 10, 2023	[ICRA]A1+	-	-
Commercial paper^	Short term	-	-	-	-	July 10, 2023	[ICRA]A1+, withdrawn	April 07, 2022	[ICRA]A1+
				-	-	April 03, 2023	[ICRA]A1+	-	-
Commercial paper^	Short term	-	-	-	-	-	-	April 07, 2022	[ICRA]A1+(CE); withdrawn

Complexity level of the rated instruments

Instrument	Complexity indicator
Short term - Non-fund based/BG/LC	Very simple
Interchangeable/Commercial paper	Very 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 date	Amount rated (Rs. crore)	Current rating and outlook
NA	Short term - Non-fund based/BG/LC	-	-	-	100.00	[ICRA]A1+
NA	Interchangeable/Commercial paper*	-	-	-	(100.00)	[ICRA]A1+

Source: Company; No CP is placed against [ICRA]A1+ rating*

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Annexure II: List of entities considered for consolidated analysis

Company name	SRL ownership	Consolidation approach
Surya Roshni LED Lighting Projects Ltd	100.00%	Full consolidation

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