

January 22, 2026

Sovereign Metals Limited: Ratings upgraded to [ICRA]BBB (Positive)/[ICRA]A3+; outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based - Cash credit	50.00	50.00	[ICRA]BBB (Positive); upgraded from [ICRA]BBB-(Stable); outlook revised to Positive from Stable
Short term – Fund based - Others	150.00	150.00	[ICRA]A3+; upgraded from [ICRA]A3
Short term - Non-fund based - Forward cover	10.00	10.00	[ICRA]A3+; upgraded from [ICRA]A3
Short term - Non-fund based - Others	140.00	140.00	[ICRA]A3+; upgraded from [ICRA]A3
Total	350.00	350.00	

*Instrument details are provided in Annexure I

Rationale

The rating action primarily factors in expectations of a significant improvement in the financial performance of Sovereign Metals Limited (SML) in FY2026, which is likely to be sustained in the medium term. In FY2026, SML's refining volumes are expected to remain healthy at ~30 metric tonnes (MT) of gold, driven by a medium-term sourcing arrangement for gold dore from a key supplying country. This arrangement is expected to support the availability of gold dore, thereby providing better revenue visibility for the medium term. Higher volumes, coupled with elevated gold prices, are expected to result in a healthy increase in revenue at Rs. 31,000-33,000 crore and the OPBDITA at Rs. 110-120 crore in FY2026. In H1 FY2026, the company already reported revenues of ~Rs. 15,307 crore on the back of increased gold and silver dore imports and favourable metal price trends. The higher profitability is likely to support the leverage and debt coverage indicators with TD/OPBDITA of ~2 times and interest coverage of 7-8 times in FY2026.

The ratings continue to be supported by the extensive experience of the promoters in the gold bullion trading business in India, giving SML access to its network of customers and mitigating customer concentration risk to some extent. ICRA also notes the high refining capacity (100 MT for gold and 250 MT for silver) available with SML, placing it among the top five domestic gold refiners in terms of capacity. The company derives significant comfort from the favourable duty differential of 0.65% available for domestic gold refiners and any change in the duty structure will be a key rating sensitivity. The rating further takes into consideration the company's policy to avoid/minimise any gold price and forex fluctuation risks by practising back-to-back order bookings.

The ratings, however, remain constrained by the low value addition in the precious metal refining business, resulting in thin operating margins for the company and strong competition from other gold refineries in India and overseas accredited with the London Bullion Market Association (LBMA) good delivery. ICRA notes that SML is still in the process of expanding its supplier and customer network, which will be crucial for volume growth. In addition, the working capital limit utilisation remained high and a timely enhancement of the working capital limit relative to the increase in scale would remain the key rating sensitivity. The ratings also consider the significant regulatory risk inherent in the refining business as any adverse change in the duty structure will pose a threat to the domestic refinery business.

Key rating drivers and their description

Credit strengths

Improved scale, supported by volume surge in H1 FY2026; trend expected to continue in medium term – SML reported a sharp improvement in its scale in H1 FY2026, driven by a significant surge in refining volumes — gold volumes increased to 16 MT and silver to 36 MT, far exceeding the previous-year levels. The ramp-up has been supported by assured dore availability from a medium-term sourcing contract and strong domestic demand. With higher capacity utilisation already evident and visibility on continued supplies, the improved scale is expected to sustain over the medium term, strengthening the company's business risk profile.

Extensive experience and track record of promoters in bullion trading business – The Shreeji Group, one of the promoters of SML, has a track record of over 20 years in the gold bullion trading business. SML benefits from the experienced management, customer/supplier tie-ups and infrastructure support from its promoters. It also has ISO certifications in place as well as a modern laboratory with the latest equipment.

Low working capital intensity – SML requires 2-3 days for refining gold and silver due to which the inventory is very low. Moreover, all the company's sales are order-backed, which enables SML to have low debtor and creditor days. The company's net working capital intensity stood at 0.9% as on September 30, 2025.

Comfortable debt coverage metrics – SML's debt coverage metrics remain comfortable on account of the low debt levels and growing net worth, reflected in TD/OPBIDTA of 2.2 times, interest coverage of 7.5 times and NCA/TD of 40.9% as on September 30, 2025, on a provisional basis. The higher profitability is likely to support the leverage and debt coverage indicators with TD/OPBIDTA of ~2 times and interest coverage of 7-8 times expected in FY2026.

Credit challenges

Inherently thin margins in gold refining business – Precious metal refining is an inherently low-margin business, given the high absolute value of the products involved and the limited value addition. The transactions take place either at a premium or at a discount to the LME gold price, depending on the market conditions and supplier-customer relationships. In addition, there is a duty differential of 0.65% available for domestic refiners, which adds to the margins. The operating margins of established players in the refining business are less than 1%, which imply that SML's build-up in scale would remain important to improve its profits at an absolute level. Any adverse change in the duty structure, creating pressure on the profitability, will be a key rating sensitivity. In addition, the working capital limit utilisation remained high and a timely enhancement of the same relative to an increase in scale would remain a key rating sensitivity.

Strong competition from fine gold importers – A gold refinery in India faces competition from banks/financial institutions and traders that directly import fine gold. International refiners that export fine gold to India are generally LBMA good delivery accredited, which ensures that the quality of gold meets international standards. ICRA notes that the company has initiated the process to get LBMA accreditation, which will enhance its international credibility. Consequently, the company would be one of the few such entities in India.

Exposure to regulatory risks in refinery business – The available duty differential of 0.65% with respect to imported fine gold gives domestic refiners enough spread to run profitable operations. However, any reduction in this duty differential through changes in Government policies may erode SML's margins and significantly impact its operations. Additionally, from June 2018, the Directorate General of Foreign Trade, Government of India, has made it mandatory for companies to get a licence for gold dore import. This licence requires the Bureau of Indian Standards (BIS) to audit the refinery and the refining process. Though SML already has the import licence, any issue highlighted by BIS in the future can delay the licence approval and significantly impact its operations.

Liquidity position: Adequate

Sovereign's liquidity position remains adequate, supported by its low net working capital intensity (NWC/OI of ~1% in H1 FY2026) and advance receipts from customers, which significantly reduce the dependence on external funding. The company's back-to-back pricing mechanism and low inventory levels further curtail the cash flow pressures. ICRA expects the company to generate cash profits of Rs. 75-80 crore over the next few years, which should remain adequate to meet its debt-servicing obligations. The liquidity is also reinforced by the maintenance of free cash balances for urgent operational needs, as reflected in cash and liquid investments of Rs. 50.3 crore as on September 30, 2025. With an improvement in the scale, the working capital requirement has gone up at an absolute level and a timely enhancement of the same relative to the increase in scale would remain the key rating sensitivity.

Rating sensitivities

Positive factors – The ratings may be upgraded if Sovereign Metals demonstrates a sustained increase in its scale and profitability with improved debt coverage indicators and a comfortable liquidity position.

Negative factors – Any adverse change in the duty structure or a significant decline in the operating profit margin or a stretch in the company's working capital cycle may result in a downgrade. A specific trigger for downgrade will be interest coverage below 3.5 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 ratings are based on the company's standalone financial profile.

About the company

SML is involved in the refining and trading of precious metals like gold and silver. The company was incorporated in February 2012 by the Edelweiss Group, a commodity and security trading house, as Edelweiss Metals Limited. The Edelweiss Group, as part of its business policy, decided to hive off its non-core commodity business and focus on the core financial services business. Consequently, the company was taken over by the Shreeji Group along with the Lakhi and Mehta families in October 2017 and was renamed Sovereign Metals Limited. The refinery unit is at Naroda, Ahmedabad (Gujarat), and has a refining capacity of 100 MT of gold and 250 MT of silver. It is an ISO 9001 and ISO 14001 certified company.

Key financial indicators (audited)

SML Standalone	FY2024	FY2025	H1FY2026*
Operating income	4,984.5	4,496.7	15,331.7
PAT	12.8	13.8	39.4
OPBDITA/OI (%)	0.5%	0.6%	0.3%
PAT/OI (%)	0.3%	0.3%	0.3%
Total outside liabilities/Tangible net worth (times)	1.1	2.2	7.6
Total debt/OPBDITA (times)	2.5	5.1	2.2
Interest coverage (times)	4.0	4.7	7.5

Source: Company, ICRA Research; * Provisional numbers; 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	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Jan 22, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based - Cash credit	Long term	50.00	[ICRA]BBB (Positive)	Dec 24, 2024	[ICRA]BBB- (Stable)	Dec 18, 2023	[ICRA]BBB- (Stable)	Sep 29, 2022	[ICRA]BB+ (Stable)
Non-fund based - Forward cover	Short term	10.00	[ICRA]A3+	Dec 24, 2024	[ICRA]A3	Dec 18, 2023	[ICRA]A3	Sep 29, 2022	[ICRA]A4+
Fund based - Others	Short term	150.00	[ICRA]A3+	Dec 24, 2024	[ICRA]A3	Dec 18, 2023	[ICRA]A3	Sep 29, 2022	[ICRA]A4+
Non-fund based - Others	Short term	140.00	[ICRA]A3+	Dec 24, 2024	[ICRA]A3	Dec 18, 2023	[ICRA]A3	Sep 29, 2022	[ICRA]A4+
Unallocated limits	Long term/ Short term	-	-	-	-	Dec 18, 2023	[ICRA]BBB- (Stable)/ [ICRA]A3	Sep 29, 2022	[ICRA]BB+ (Stable)/ [ICRA]A4+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based - Cash credit	Simple
Short term – Fund based - Others	Simple
Short term - Non-fund based - Forward cover	Simple
Short term - Non-fund based - Others	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/ Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term – Fund based – Cash credit	NA	NA	NA	50.00	[ICRA]BBB (Positive)
NA	Short -term – Non-fund based – SBLC	NA	NA	NA	140.00	[ICRA]A3+
NA	Short term – Fund based	NA	NA	NA	150.00	[ICRA]A3+
NA	Short term – Non-fund based – Forward cover	NA	NA	NA	10.00	[ICRA]A3+

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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