

December 16, 2024

Shiva Utensils Industries Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term – Fund-based	27.50	27.50	[ICRA]A4; Reaffirmed
Short-term – Non-fund based	2.50	2.50	[ICRA]A4; Reaffirmed
Total	30.00	30.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for Shiva Utensils Industries Private Limited (SUIPL) factors in the extensive experience of its promoters, spanning over 15 years, in the utensil manufacturing and trading business, along with the company's established relationship with its customers and suppliers translating into repeat orders from key clients.

The rating, however, remains constrained on account of its small scale of operations and the stiff competition in the steel utensil industry restricting revenue growth over the past few years. The company's financial risk profile remains weak, with increase in low value additive trading business proportion, volatile operating margins, low net worth and high dependence on working capital debt, resulting in muted coverage indicators, as reflected in the TD/OPBITDA of 4.5 times (PY: 7.6 times) and interest coverage of 2.7 times (PY: 2 times) as on March 31, 2024. The rating factors in SUIPL's high working capital intensity, which increased to 66% in FY2024 (compared to 59% in FY2023) owing to elongated debtor cycle inherent to the business and the risk associated with customers in international locations (Africa). SUIPL's ability to improve its working capital cycle and liquidity profile remain the key rating sensitivity.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in industry – The promoters have over 15 years of experience in the utensil manufacturing and trading industry. SUIPL is promoted by Mr. Shiv Kumar Gupta, who has more than 2 decades of experience in the field of manufacturing of steel strips and steel utensils. Mr. Hemant Gupta, son of Mr. Shiv Kumar Gupta, is the Director of the company, and is engaged in this line of business since past decade and also actively participating in the working of the company.

Established relationships with customers and suppliers – The company sources its products from domestic suppliers and imports a part of its raw material requirements. SUIPL primarily sells its products to companies operating in diversified industries. Exports accounted for 72% in FY2024 (63% during FY2023) and SUIPL has exposure in countries like Nigeria, Mali, Somalia and other African regions.

Credit challenges

Modest scale of operations – The company remains a small-sized player as reflected by its revenues, which remained at around Rs. 100 crore, over the past seven years. Its operating revenue moderated to Rs. 87 crore in FY2024 from Rs. 101 crore in FY2023, primarily led by a decline in sales volumes. However, in 7M FY2024, it has already achieved sales of Rs. 61 crore, which is likely to be around Rs. 100 for the full year, along with stable margins as per ICRA's expectations. Despite moderation in revenue, the company reported an improvement in operating profit margins to 5.8% in FY2024 (against 3.8% in FY2023 and 3% in FY2022), driven by favourable trading opportunities. Nonetheless, SUIPL's ability to materially improve its scale of operations and margins remains a key rating monitorable.

Weak financial risk profile – SUIPL mainly avails short-term working capital debt and non-fund based facilities. There are no external long-term loans, apart from promoter debt of Rs. 7.7 crore as on March 31, 2024 (increased by Rs. 2.4 crore in FY2024 from Rs. 5.3 crore as on March 31, 2024). The low value additive trading business proportion, volatile operating margins, low net worth base and high dependence on working capital debt resulted in muted coverage indicators, as reflected in the TD/OPBITDA of 4.5 times (PY: 7.6 times) and interest coverage of 2.7 times (PY: 2 times) as on March 31, 2024.

Intense competition due to low entry barriers – The company faces stiff competition from the organised as well as unorganised players, limiting its pricing flexibility and bargaining power with customers.

High working capital intensity – The company’s operations remain highly working capital intensive, as reflected by NWC/OI of 66.3% as on March 31, 2024 (against 59.3% as on March 31, 2023) due to elongated receivable cycle (high debtor days of 220). SUIPL’s ability to manage its working capital cycle and liquidity remains a key rating monitorable.

Liquidity position: Stretched

The liquidity position is likely to remain stretched on the back of elongated receivables inherent to the business and risk associated with the geographies, in which the company operates. Further, while the company does not have any major capex or repayment obligations, the on book liquidity levels remains modest. Nevertheless, ICRA notes buffer available in the company’s working capital limits as well as annual cash accruals of around Rs. 3.0 crore to cover for its operational expenses.

Rating sensitivities

Positive factors – ICRA could upgrade the rating if the company is able to increase its scale, along with an improvement in its profitability, coupled with efficient working capital management on a sustained basis. Further, an interest coverage over 2.5 times, on a prolonged basis, will be an important factor for a rating upgrade.

Negative factors – An increase in working capital intensity, adversely impacting the liquidity cushion available with the company, would be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Shiva Utensils Industries Private Limited (SUIPL) was incorporated in FY2009 and is promoted by Mr. Shiv Kumar Gupta. The company is involved in manufacturing, trading, and export of steel utensils like plates, bowls, etc. Its products are mainly sold in the Middle East and African countries. In FY2014, SUIPL diversified its product base to trading of inverters, batteries, solar batteries, plastic hotpots, etc. Further, since FY2015, the company started catering to domestic demand of stainless steel utensils. SUIPL operates from its two manufacturing facilities located in Delhi.

Key financial indicators (audited)

SUIPL	FY2023	FY2024
Operating income	101.5	87.4
PAT	5.3	3.8
OPBDIT/OI	3.8%	5.6%
PAT/OI	5.2%	4.3%
Total outside liabilities/Tangible net worth (times)	1.3	0.7
Total debt/OPBDIT (times)	7.6	4.5
Interest coverage (times)	2.0	2.7

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	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs Crore)	Dec 16, 2024	Date	Rating	Date	Rating	Date	Rating
Fund based	Short Term	27.50	[ICRA]A4	07-Nov-2023	[ICRA]A4	20-Sep-2022	[ICRA]A4	07-Oct-2021	[ICRA]A4
Non fund based	Short Term	2.50	[ICRA]A4	07-Nov-2023	[ICRA]A4	20-Sep-2022	[ICRA]A4	07-Oct-2021	[ICRA]A4

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short-term – Fund-based	Simple
Short-term – Non-fund based	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	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Short-term – Fund-based	April 17, 2023	NA	NA	27.50	[ICRA]A4
NA	Short-term – Non-fund based	April 17, 2023	NA	NA	2.50	[ICRA]A4

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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