

May 14, 2019

## Shiva Utensils Industries Private Limited: Rating reaffirmed at [ICRA]A4

### Summary of rated instruments

| Instrument*                        | Previously Rated Amount<br>(Rs. crore) | Current Rated Amount<br>(Rs. crore) | Rating Action        |
|------------------------------------|--|-------------------------------------|----------------------|
| Short-term: Fund-based cash credit | 30.00                                  | 30.00                               | [ICRA]A4; reaffirmed |
| <b>Total</b>                       | <b>30.00</b>                           | <b>30.00</b>                        |                      |

\*Instrument details are provided in Annexure-1

### Rationale

The rating reaffirmation factors in the rich experience of Shiva Utensils Industries Private Limited's (SUIPL) promoters spanning over fifteen years in the utensil manufacturing and trading business, established relationship with its customers and suppliers resulting in repeat orders from its clientele. The same aided in securing a healthy order book of Rs. 50.0 crore as on April 30, 2019 providing near-term revenue visibility. The rating, however, is constrained by the stiff competition in the steel utensil industry limiting its revenue and margin growth over the past three years. Further, an increase in trading activity to support its top line at Rs. 96.6 crore in FY2018 resulted in a decline in the operating profitability to 1.9% in FY2018. ICRA's rating takes note of the weak coverage indicators with interest cover of 0.8 times, TD/ OPBITDA of 15.2 times and NCA/ Total Debt of 3.7% in FY2018. The rating remains construed by the stretched liquidity position as reflected by high utilisation on the working capital limits at ~77.6% during the twelve-month period that ended on March 2019.

Going forward, the company's ability to ramp up its scale of operations and manage its working capital will be the key rating sensitivities.

### Outlook: Not applicable

### Key rating drivers

#### Credit strengths

**Extensive experience of the promoters in the industry:** The promoters have over fifteen years of experience in the utensil manufacturing and trading industry.

**Established relationships with customers and suppliers:** The company sources its products from domestic suppliers as well as imports a part of its raw material requirements. SUIPL primarily sells its products to companies operating in diversified industries and has a well-established customer base garnering repeat orders as reflected by an outstanding order book of Rs. 50.0 crore as on April 30, 2019, which provides near-term revenue visibility.

## Credit challenges

**Modest scale of operations:** The company's scale of operations remained small with revenues of Rs. 96.6 crore in FY2018 and Rs. 88.0 crore in FY2019, which de-grew by 13.2% and 8.9% on a YoY basis and at a CAGR of 6.2% during the six-year period between FY2013 and FY2019.

**Weak financial risk profile:** The company's operating profitability remained low at 1.9% in FY2018 on account of an increase in trading activity to support its top line at Rs. 96.6 crore in FY2018. The same resulted in weak coverage metrics with interest cover of 0.8 times, TD/ OPBITDA of 15.2 times and NCA/ Total Debt of 3.7% in FY2018.

**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.

**Stretched liquidity position:** The company's liquidity position remains stretched as reflected by high utilisation on the working capital limits of ~77.6% during the twelve-month period that ended on March 2019.

## Liquidity position

The liquidity position remains stretched as reflected by high utilisation of working capital limits at ~77.6% during the twelve-month period ending on March 2019. However, the company has cash balances of Rs. 4.3 crore and was supported by way of unsecured loans from promoters worth Rs. 2.6 crore as on March 31, 2018.

## Analytical approach

| Analytical Approach             | Comments  |
|---------------------------------|---|
| Applicable Rating Methodologies | <a href="#">Corporate Credit Rating Methodology</a> |
| Parent/Group Support            | Not applicable                                      |
| Consolidation / Standalone      | Standalone  |

## About the company

Incorporated in FY2009, SUIPL is promoted by Mr. Shiv Kumar Gupta. The company is involved in the manufacturing, trading and export of steel utensils like plates, bowls, etc. SUIPL sells its products mainly in the Middle East and African countries. In FY2014, it 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)

|                              | FY2017 | FY2018 |
|------------------------------|--------|--------|
| Operating Income (Rs. crore) | 111.3  | 96.6   |
| PAT (Rs. crore)              | 0.6    | 0.8    |
| OPBDIT/ OI (%)               | 3.6%   | 1.9%   |
| RoCE (%)                     | 6.5%   | 5.7%   |
| Total Debt/ TNW (times)      | 1.3    | 1.0    |
| Total Debt/ OPBDITA (times)  | 8.7    | 15.2   |
| Interest Coverage (times)    | 1.4    | 0.8    |

Source: Company;

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

**Rating history for last three years**

| Instrument                           | Current Rating (FY2020) |                          |                                | Chronology of Rating History for the past 3 years |                         |                         |                         |
|--------------------------------------|-------------------------|--------------------------|--------------------------------|---|-------------------------|-------------------------|-------------------------|
|                                      | Type                    | Amount Rated (Rs. crore) | Amount Outstanding (Rs. crore) | Date & Rating                                     | Date & Rating in FY2019 | Date & Rating in FY2018 | Date & Rating in FY2017 |
|                                      |                         |                          |                                | May2019   | -                       | Feb 2018                | Jan 2017                |
| 1 Fund based limits – Cash Credit    | Short Term              | 4.00                     | 4.00                           | [ICRA]A4  | -                       | [ICRA]A4                | [ICRA]A4                |
| 2 Fund based limits – Packing Credit | Short Term              | 25.00                    | 25.00                          | [ICRA]A4  | -                       | [ICRA]A4                | [ICRA]A4                |
| 3 Unallocated                        | Short Term              | 1.00                     | 1.00                           | [ICRA]A4  | -                       | [ICRA]A4                | [ICRA]A4                |

**Complexity level of the rated instrument**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

| ISIN No | Instrument Name                                | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---------|--|-----------------------------|-------------|---------------|--------------------------|----------------------------|
| NA      | Fund-based facilities – Cash Credit facilities | Feb 2019                    | 13.40%      | -             | 4.00                     | [ICRA]A4                   |
| NA      | Fund-based facilities – Packing Credit         | Feb 2019                    | 9.45%       | -             | 25.00                    | [ICRA]A4                   |
| NA      | Unallocated                                    | -                           | -           | -             | 1.00                     | [ICRA]A4                   |

Source: Company

### Annexure-2: List of entities considered for consolidated analysis: Not applicable

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