

## Sarvottam Rolling Mills Private Limited

April 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term / Short-term bank facilities	27.00	CARE BB; Stable / CARE A4	Assigned
Short-term bank facilities	3.00	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has conducted ratings assessment based on the combined approach by combining Sarvottam Rolling Mills Private Limited (SRMPL) and Sudhesh Industries Private Limited (SIPL), together referred to 'the group'.

Ratings assigned to bank facilities of SRMPL are constrained by the thin profitability margins and weak financial risk profile with leveraged capital structure and moderate net worth base. Ratings are further constrained by the group's presence in a highly competitive and cyclical steel industry and profit margins susceptible to raw material price volatility. However, ratings derive strength from its experienced promoters with long track record of business operations, consistent growth in scales of operations in FY24 (Audited, refers to April 01 to March 31) and 11MFY25 (Unaudited, refers to April 01 to February 28) and prudent working capital management.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Growth in overall scale of operations by over ₹1,000 crore and improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 4.00% on a sustained basis.
- Growth in cash accruals above ₹20 crore and total debt/gross cash accruals (TD/GCA) below 7x on a sustained basis.

#### Negative factors

- Decline in scale of operations below ₹650 crore and PBILDT margin below 2.00% on a sustained basis
- Any debt-funded capital expenditure resulting into overall gearing above 3.50x.
- Any substantial increase in its working capital requirements thus weakening its liquidity and financial profile.

### Analytical approach:

CARE Ratings has conducted the assessment based on the combined approach by combining SRMPL and SIPL. These entities are engaged in similar business and have common management, operational, and financial linkages.

### Outlook: Stable

The stable outlook reflects CARE Ratings' expectation that the group will continue to benefit from its experienced promoters having long track record of operations to mitigate the inherent risk related to competitive and cyclical nature of industry.

### Detailed description of key rating drivers:

#### Key weaknesses

#### Thin profitability margins despite improvements in FY24 and 11FY25

The group's operating margins have remained thin and reflected a fluctuating trend over FY20- FY24 in the range of 1.67% to 4.52% due to volatility in the raw material prices (which accounts for ~79.50% of the total cost in FY24) and intense competition within the industry, particularly from larger players. Operating margin remained low due to modest product differentiation and limited value addition in manufacturing billets and thermo-mechanically treated (TMT) bars. In FY24, the PBILDT margin improved to 2.39% in FY24 from 1.67% in FY23 due to marginal decrease in average raw material cost. However, the profit after tax (PAT)

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

margins stood modest and stable at 0.44% in FY23 to 0.43% in FY24. The group has reported slight improvement in PBILDT and PAT margins to 2.61% and 0.43%, respectively, in 11MFY25. Going forward, profitability is expected to improve owing to expected improvement in demand and better realisations with stable input costs.

### **Weak financial risk profile with leveraged capital structure and moderate net worth base**

The group has moderate net worth base, stood at ₹52.76 crore as on March 31, 2024 (PY: ₹48.14 crore) with leveraged capital structure, as marked by an overall gearing of 3.18x as on March 31, 2024, moderated from 2.55x as on March 31, 2023, owing to increase in total debt levels from ₹122.67 crore in FY23 to 168.02 crore in FY24. Its debt profile largely comprises external debt in the form of working capital and term debt. The total outside liabilities to net worth (TOL/TNW) stood high at 3.92x as on March 31, 2024 (PY: 3.42x). Debt coverage indicators stood marginally weak due to moderate profitability against high overall debt and finance cost, as marked by moderate PBILDT interest coverage of 1.83x in FY24 (1.60x in FY23) and high TD/GCA of 19.01x in FY24 (PY: 16.61x). Going forward, the capital structure and debt coverage indicators are expected to improve considering profit accretion to reserves and repayment of term debt.

### **Susceptibility of margins to raw material price volatility**

SRMPL and SIPL are susceptible to the price volatility of steel for both finished goods and the raw material. The major raw materials for the group are sponge iron and steel scrap (M.S Ingots and M.S bar among others), which are major cost driven (constituting ~ (combined) 78.32% of total cost of sales in FY24) and their prices are volatile. Therefore, the cost base remains exposed to adverse price fluctuations in these raw materials prices. The raw materials are procured at prevailing market prices, exposing it to raw material price volatility. In general, the group is unable to pass on the increase in prices to their customers and maintain the prices per the market trends only.

### **Presence in a highly competitive and cyclical steel industry**

TMT bars and mild steel ingots/billets are used in various industries, with construction and infrastructure industry being the largest demand segment. Thus, demand for TMT bars is largely linked to the demand in the construction and infrastructure (mainly real estate) segment, which closely follows the macroeconomic cycle and thus is cyclical in nature. There are large number of small and unorganised players in the TMT bars and mild steel ingots/billets manufacturing industry. The industry is characterised by low entry barriers and low level of product differentiation due to minimal technological inputs and availability of standardised machinery for production. Thus, due to low value addition, presence in the lower segment of the value chain and fragmented nature of industry, the profitability of players engaged in manufacturing TMT bars and mild steel ingots/billets is inherently thin.

### **Key strengths**

#### **Experienced promoters with established track record of operations**

The promoters' three-decade experience in the steel industry and the established reach of the Sarvottam brand in Uttar Pradesh, and nearby areas have helped the group to sustain its market position. Sanjay Kumar Jain, the Director, has over 25 years of experience in the steel industry and oversees the marketing and financial activities of the unit. His younger brother, Rajeev Jain, also has over 20 years of experience in the steel industry and manages the unit's production and day-to-day operations. The experienced management and the long track record of operations have helped the group to establish a healthy relationship with its customers.

#### **Consistent growth in scales of operations despite remained moderated**

The group has reported consistent growth in revenue over the past five years from ₹349.59 crore in FY20 to ₹797.73 crore in FY24 exhibiting a compounded annual growth rate (CAGR) of 22.91% considering addition of manufacturing facilities through SIPL and improved customer demand, although sales realisation has moderated due to the competitive landscape. The scale of operations of the combined entities by 6.31% Y-o-Y from ₹750.34 crore in FY23 to ₹797.73 crore in FY24 is considering improved demand from customers as indicated by a y-o-y volume growth of 11.86% with combined sales volume increasing to 225,091 MT in FY24 (PY: 201,221 MT). However, there was a decline in combined sales realisation to ₹/MT 51,115 in FY24 (PY: ₹/MT 55,143) considering decline in steel prices during the year. The group has achieved topline of ₹788.01 crore in 11MFY25. Going forward, scale of operations is expected to grow considering improvement in demand, and better sales realisation.

#### **Prudent working capital management**

The group's operating cycle stood at comfortable level of 36 days (PY: 38 days). Group extends credit period of 10-15 days to its customers. Average collection period of group stands at 17 days in FY24 (PY: 13 days), group hold inventory for close to one-month period, having average inventory days 30 days in FY24 (PY: 33 days). The group does not enjoy credit period from its major suppliers and makes payment in advance or settle the dues within 7-10 days, average creditors days stood at 10 days in FY24 (PY: 8 days).

#### **Liquidity: Stretched**

The group's liquidity position is stretched, marked by below unity quick ratio of 0.65x, moderate current ratio of 1.25x, high working capital utilisation of ~92.63% (combined average) over the past 12 months ending February 2025. The group has expected GCA of ₹12.90 crore and ₹16.10 against repayment obligations of ₹8.33 crore & ₹9.28 crore in FY25 and FY26, respectively. Free cash and bank balance stood moderate at ₹5.24 crore as on February 28, 2025. Cash flow from operations improved to ₹11.78 crore in FY24 against negative ₹9.59 crore in FY24. GCA improved to ₹8.84 crore in FY24 (PY: ₹7.39 crore).

#### **Applicable criteria**

[Policy on Default Recognition](#)

[Consolidation & Combined Approach](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Rating of Short Term Instruments](#)

[Iron & Steel](#)

[Manufacturing Companies](#)

#### **About the company and industry**

##### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Iron & steel products

Incorporated in October 2005, SRMPL is promoted by Sanjay Kumar Jain and Rajeev Jain and is engaged in manufacturing T.M.T. Bar and M.S. Billets/ingots from sponge iron and scraps. The company is having fully integrated manufacturing facility, in Muzaffarnagar with an installed capacity of 115,000 MT and 110,000 MT for manufacturing M.S. Billets/ingots and T.M.T Bars, respectively, as on March 31, 2024, which are sold under brand name of 'Paras' & 'Rathi'. The company has two furnaces of 12 MT each with one concast machine.

Brief Financials (₹ crore)-Standalone	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
Total operating income	365.61	344.13	306.77
PBILDT	5.86	6.56	7.06
PAT	2.81	1.53	1.46
Overall gearing (times)	0.72	0.70	0.78
Interest coverage (times)	2.51	2.26	2.25

A: Audited UA: Unaudited; Note: these are latest available financial results

Brief Financials (₹ crore)-Combined	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
Total operating income	750.34	797.73	788.01
PBILDT	12.51	19.10	20.57
PAT	3.27	3.42	3.37
Overall gearing (times)	2.55	3.18	2.87
Interest coverage (times)	1.60	1.83	1.84

A: Audited UA: Unaudited; Note: these are latest available financial results

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

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Working Capital Limits		-	-	-	27.00	CARE BB; Stable / CARE A4
Non-fund-based - ST-BG/LC		-	-	-	3.00	CARE A4

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST	27.00	CARE BB; Stable / CARE A4	-	-	-	-
2	Non-fund-based - ST-BG/LC	ST	3.00	CARE A4	-	-	-	-

LT: Long term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Working Capital Limits	Simple
2	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

### Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Puneet Kansal Director <b>CARE Ratings Limited</b> Phone: +91-12-0445 2018 E-mail: <a href="mailto:puneet.kansal@careedge.in">puneet.kansal@careedge.in</a>
<b>Relationship Contact</b>  Ankur Sachdeva Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3444 E-mail: <a href="mailto:Ankur.sachdeva@careedge.in">Ankur.sachdeva@careedge.in</a>	Akhil Kumar Associate Director <b>CARE Ratings Limited</b> Phone: +91-12-0445 1986 E-mail: <a href="mailto:akhil.kumar@careedge.in">akhil.kumar@careedge.in</a>
	Mohit Gupta Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:mohit.gupta@careedge.in">mohit.gupta@careedge.in</a>

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**