

## Sigma Metal and Power Private Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	72.00	CARE BB+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings are based on the combined financials of Shree Radhey Radhey Ispat Private Limited (SRR IPL), Sigma Metal and Power Private Limited (SMPPL), Kundan Castings Private Limited (KCPL) and Sigma Castings Limited (SCL) since all these are part of Sigma Group and have operational and financial linkages, common promoters, and common management personnel.

The reaffirmation of the ratings assigned to the bank facilities of Sigma Metal and Power Private Limited (SMPPL), part of Sigma group, factors in the moderation in total operating income (TOI) during FY24 (refers to April 01 to March 31) due to reduction in trade volumes and company's increased focus on manufacturing its own "Sigma GripLock" brand, moderation in financial risk profile and moderate operating cycle, exposure to volatility in raw material prices and highly competitive and inherent cyclicality in the steel industry.

The ratings, however, derive strength from the improvement in profitability margins during FY24, along with its experienced promoters in the steel industry and its long track record of operations. The ratings take cognizance of increase in production capacity of MS Billets post completion of its capex in January 2024 which in turn has reduced its dependency to purchase billets from open market and further expected to contribute to the improvement in profitability margins.

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

#### Positive factors

- Sustained growth in operations with TOI above Rs. 800 crore along with continuous improvement in PBILDT margin.
- Improvement in total debt to GCA below 7.50x on a sustained basis.

#### Negative factors

- Decrease in TOI below Rs.400 crore along with PBILDT margins below 3.00% on a sustainable basis.
- Deterioration in capital structure with overall gearing ratio deteriorating to more than 1.50x on a sustained basis.

### Analytical approach: Combined

The operational and financial risk profile of Sigma Metal and Power Private Limited (SMPPL) has been combined with Shree Radhey Radhey Ispat Private Limited (SRR IPL), Kundan Castings Private Limited (KCPL) and Sigma Castings Limited (SCL) have been combined since all the entities have operational and financial linkages, common promoters and management.

### Outlook: Stable

The Stable outlook reflects CARE Rating's opinion that the group will continue to benefit from its established track record in manufacturing of TMT bars and extensive promoter's experience in the industry.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Moderation in total operating income with thin, albeit improving, profitability margins

The group has reported total operating income of ~Rs 803 crore during FY23 which moderated to ~Rs 570 crores during FY24 due to reduction in trade volumes and company moving its focus on its own brand "Sigma GripLock" brand, after ending association with "Kamdhenu" during FY23.

However, the profitability margins of the group remain thin, albeit improved, and stood at 4.15% during FY24 as compared to 2.54% during FY23. The improvement was largely due to decrease in the price of raw materials coupled with reduced trading activity which has very low margins. The improvement in profitability margins was further supported by the reduced royalty cost following the discontinuation of their association with 'Kamdhenu' for sale of its products and introduction of their own TMT bars brand name "Sigma GripLock" in the market.

<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.

**Highly competitive and cyclic nature of industry**

The steel bars industry is highly competitive due to presence of various organized and unorganized players and expanding applications of various types of steel bars. Although, over the years the industry has become more organized with the share of unorganized players reducing, margins continue to be under pressure due to fragmentation of the industry. Also, the steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. Apart from the demand side fluctuations, the highly capital-intensive nature of steel projects along with the inordinate delays in the completion hinders the responsiveness of supply side to demand movements. Furthermore, the value addition in steel construction materials like TMT bars, MS angles and channels, etc. is also low, resulting in low product differentiation in the market. The producers of steel construction materials are essentially price-takers in the market, which directly expose their cash flows and profitability to volatility in steel prices.

**Susceptibility to volatility in raw material prices**

Prices of major raw materials for the group such as steel ingots and billets are inherently volatile in nature. The group purchases most of its raw materials from local scrap dealers and with the launch of their own brand name, and highly competitive nature of the industry the group is not able to pass on the full impact of the fluctuation in raw material prices to its customers, which has a bearing on the margins.

**Key strengths****Satisfactory financial risk profile**

The financial risk profile of the group remained satisfactory during FY24. The capital structure of the group as marked by its overall gearing moderated to 1.15 times as on March 31, 2024, as compared to 0.88 times as on March 31, 2023, majorly due to additional term debt availed at the end of FY24 for the expansion in billets capacity and increase in utilization of working capital facility. Coverage indicators of the group also moderated as characterized by interest coverage ratio and TD/PBILDT of 1.79 times and 5.88 times respectively as on March 31, 2024, as compared to 1.85 times and 4.98 times respectively as on March 31, 2023. The adjusted gearing after factoring investment in subsidiary stood at 1.30x as on March 31, 2024 against 1.05x as on March 31, 2023.

**Experienced promoters & long track record of operations**

The affairs of the group are managed by the directors – Mr. Navin Jain, Mr. Navneet Jain & Mr. Vijay Kumar Jakhodia. Mr. Navin Jain has a postgraduate degree in commerce along with a bachelor's degree in law & has over two decades of experience in the iron & steel industry. He looks after the overall management of the operations. He is supported by his son, Mr. Navneet Jain, who looks after product branding. The marketing operations of the group are managed by Mr. Vijay Kumar Jakhodia who has over 30 years of experience in the industry & was in the same line of business before joining the group. A long track record of operations provides established market presence to the group.

**Liquidity: Stretched**

The liquidity profile of the group remains stretched as marked by limited buffer in their repayment obligation vs gross cash accruals. During FY25, the group has repayment obligation of ~Rs. 9.30 crore against projected GCA of ~Rs. 14.00 crore. Further, Average fund-based working capital limit utilization was around 98% for the trailing 12 months ending with January 2025, which remained on the higher side throughout the year.

**Applicable criteria**[Definition of Default](#)[Liquidity Analysis of Non-financial sector entities](#)[Rating Outlook and Rating Watch](#)[Manufacturing Companies](#)[Financial Ratios – Non financial Sector](#)[Iron & Steel](#)[Consolidation & Combined Approach](#)[Wholesale Trading](#)**About the company and industry**

## Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

Uttar Pradesh Based Sigma group has following group companies:

**Shree Radhey Radhey Ispat Pvt Ltd (SRR IPL):** Shree Radhey Radhey Ispat Pvt Ltd incorporated in May 10, 2002, was acquired by Sigma group in 2007 and was a franchisee partner of Kamdhenu Limited (rated CARE A; Stable), engaged in manufacturing & selling of TMT (Thermo Mechanical Treatment) reinforcing bars across a range of diameters from 8 mm to 32 mm with installed annual capacity of 1,20,000 MT. From December 2022 the company has started manufacturing TMT bars under its own brand name i.e. "Sigma GripLock" TMT bars.

**Kundan Castings Private Limited (KCPL):** The company is engaged in the manufacturing of M.S. Ingots with a total installed capacity of 20,000 metric tonne per annum. The company majorly sells its MS Ingots to its group company SRR IPL. Further, the company is also engaged in the business of trading edible oil, importing license & machinery parts and fabricated sheets. The company is also involved in the trading of commodities.

**Sigma Metal and Power Private Limited (SMPPL) [formerly Sadahari Shakti Private Limited]:** is engaged in the manufacturing and distribution TMT bars, MS Billets, metal scrap etc. The company has installed capacity of 72,000 metric tonne per annum and has increased its existing capacity to 180,000 metric tonne per annum starting from January 2024. The company also majorly sells its MS Billets to its group company SRR IPL.

**Sigma Castings Limited:** The company is engaged in the manufacturing of M.S. Ingots. The company majorly sells its MS Ingots to SRR IPL. Further, the company is also engaged in the business of manufacturing and trading edible oil, importing license & machinery parts and fabricated sheets. The company is also involved in the trading of commodities.

## Combined Financials:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11M-FY25 (UA)
Total operating income	803.68	569.96	600.00
PBILDT	20.43	23.67	24.00
PAT	7.48	5.60	NA
Overall gearing (times)	0.88	1.15	NA
Interest coverage (times)	1.85	1.79	NA

A: Audited UA: Unaudited NA: Not available; 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-Cash Credit		-	-	-	22.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	March 2029	50.00	CARE BB+; Stable

**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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	22.00	CARE BB+; Stable	-	1)CARE BB+; Stable (21-Feb-24) 2)CARE BB+; Stable (07-Apr-23)	-	-
2	Fund-based - LT-Term Loan	LT	50.00	CARE BB+; Stable	-	1)CARE BB+; Stable (21-Feb-24) 2)CARE BB+; Stable (07-Apr-23)	-	-

LT: Long 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

To view the 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.

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### About us:

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