Shera Energy Limited

May 29, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	4.49	CARE BBB+; Stable	Reaffirmed
Long-term / Short-term bank facilities	130.16 (Enhanced from 92.16)	CARE BBB+; Stable / CARE A3+	Reaffirmed
Short-term bank facilities	118.35 (Enhanced from 93.35)	CARE A3+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Shera Energy Limited (SEL) derive strength from its promoters' vast experience and its long track record of operations in the metal industry and its diversified product portfolio. Ratings also factor volume-driven growth in SEL's scale of operations and its adequate liquidity, aided by raising ₹30.38 crore through preferential issue in Q4FY25(FY refers to April 01 to March 31). Ratings also take cognisance of expected benefits from the on-going capex which is expected to commence commercial operations in a phased manner in FY26 and FY27.

The above rating strengths, however, are partially offset by SEL's moderate profitability which is further susceptible to volatility in input prices, its moderate financial risk profile, and prevalent competition in the non-ferrous metal industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Volume-driven growth in scale of operations leading to total operating income (TOI) above ₹1,500 crore and profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 6.50% on a sustained basis.
- Improvement in debt coverage indicators and liquidity cushion marked by PBILDT interest coverage above 3x on a sustained basis and total debt / PBILDT below 4.00x on a sustained basis.
- Improvement in overall gearing below 1x on a sustained basis.

Negative factors

- Any large size debt-funded capital expenditure or higher-than-envisaged increase in working capital intensity leading to deterioration in overall gearing above 2.25x on a sustained basis and stress on debt coverage indicators and liquidity position of the company.
- Deterioration in PBILDT interest coverage below 1.75x on a sustained basis.

Analytical approach: Consolidated

To arrive at ratings, CARE Ratings Limited (CARE Ratings') has taken a consolidated view of SEL and its subsidiaries, Rajputana Industries Limited (RIL; 51% stake), Shera Metal Private Limited (SMPL; 82.13% stake), and Shera Zambia Limited (98% stake), considering managerial, financial, and operational linkages. (Details of subsidiaries is placed in Annexure-6).

Outlook: Stable

The Stable outlook on the long-term rating reflects CARE Ratings' expectations that SEL will continue to benefit from vast experience of its promoters and its diversified product portfolio.

Detailed description of key rating drivers:

Key strengths

Experienced promoter with established track record of operations with diversified product portfolio

SEL was established in 2003 by Sheikh Naseem, having an experience of over two decades of experience in the non-ferrous metal industry. Initially, SEL focused on manufacturing copper and aluminium winding wires. Over the years, the group has successfully implemented several capacity expansion plans and currently it produces a diverse range of products, including types of aluminium and copper winding wires, bus bars, strips, tubes, rods, wire rods, and brass products, meeting the requirement of multiple end-user industries.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Continuous increase in capacity utilisation level leading to volume-driven growth in TOI

SEL's TOI (consolidated) grew at a compounded annual growth rate (CAGR) of 20% over the last five years, ending FY24. In FY24, SEL's TOI grew by 26% year-on-year to ₹874 crore, driven by a 35.72% growth in sales volume to 17,576 MTPA, from 12,951 MTPA in FY23. SEL's capacity utilisation stood healthy at 81% in H1FY25 against 49% in FY20.

In 9MFY25 (provisional), SEL reported a TOI of ₹909 crore, compared to ₹591 crore in 9MFY24, supported by increase in sales volume and realisation. SEL is expected to maintain its volume growth trajectory and is projected to achieve a TOI of ~₹1,275 crore in FY25, against earlier estimate of ₹1,150 crore.

Expansion of value-added product portfolio and commencement of overseas operations, despite healthy scaling up of operations shall remain key monitorable

At a group level, SEL is undertaking multiple capex aimed at expanding its product portfolio of value-added products and diversifying geographically by setting up a subsidiary in Zambia.

In addition to capex already factored, SEL is setting up an additional line for manufacturing value-added products leading to higher capex cost of ₹45.80 crore, against the earlier estimate of ₹35.80 crore for domestic operations. It is proposed to be funded majorly out of debt. The capex is expected to commence commercial operations in a phased manner in FY26 and FY27.

Instead of planned capital expenditure of ₹18.90 crore for its overseas operation, SEL has opted to lease a factory in Zambia at an estimated annual rental of ₹1.75 crore - ₹2 crore in the initial years of operations. Scaling up of operations, and achievement of envisaged TOI and profitability and effective management of incremental working capital requirements, shall remain a key monitorable from the credit perspective.

Key weaknesses

Low value-addition leading to moderate profitability

SEL's PBILDT margin has ranged from 5.50% to 7.70% over the past five years, influenced by raw material price fluctuations and product mix changes. In FY24, the PBILDT margin remained stable at 5.85% (FY23: 5.53%).

However, the PBILDT margin declined to 4.72% in 9MFY25 as the company offered cash discounts to boost sales volume, gain market share and reduce its reliance on bank borrowings for working capital requirements. The profit after margin (PAT) margin remained stable at 1.72% in 9MFY25 (FY24:1.61%), due to reduction in interest cost.

Improving financial risk profile, despite continues to remain moderate

SEL's financial risk profile has improved over the last three years, with overall gearing reducing from 2.76x at FY22-end to 2.10x at FY24-end.

SEL's consolidated net worth is projected to increase for the financial year ending FY25 (FY24: ₹126.49 crore), following an equity infusion of ₹30.38 crore by RIL through a preferential allotment in its IPO in March 2025. This capital raise is expected to strengthen the company's overall gearing and improve its total outside liabilities to tangible net worth (TOL/TNW). However, with an expected increase in working capital intensity and with planned debt-funded expansion in Q4FY25 and FY26, leverage is expected to remain moderate in the projected period.

Debt coverage indicators remained moderate, with PBILDT interest coverage at 1.69x and total debt to gross cash accruals (TD/GCA) at 12.23x in FY24 owing to moderate profitability and GCA levels. The interest coverage ratio improved to 2.40x in 9MFY25 due to reduced interest costs.

Profitability vulnerable to raw material price volatility

SEL's profitability is vulnerable to sharp fluctuations in raw material prices (mainly copper), which forms ~95% of total cost of sales for the company. Majority inventory holding remains order-backed, where raw material is sourced back-to-back from suppliers against confirmed orders, mitigating price volatility of raw materials to a large extent. As RIL (subsidiary of SEL, engaged in scrap recycling) has a longer production time and hence maintains an inventory of ~80-90 days, a portion of which is not order-backed.

Presence in fragmented and competitive industry with low bargaining power

SEL operates in a highly competitive and fragmented winding wire / conductor industry characterised by the presence of numerous organised and unorganised players, given the low technical expertise requirement and value addition in manufacturing winding wires / rods and ingots. Due to intense competition in the industry, the bargaining power of the group remains low.

Liquidity: Adequate

SEL's liquidity remained adequate characterised by healthy cash flow from operations, moderate cushion available in cash accruals against term loan repayment obligations and its modest capex requirements. Liquidity of the company is further aided by fund

raising through preferential issue in Q4FY25, to support the company's incremental working capital requirements and fund capex plans.
Average utilisation of fund-based limits and non-fund-based limits remained moderate at 82% and 84% respectively for the trailing 12 months ended March 2025. Access to funds through Receivables Exchange of India Limited (RXIL) and bill discounting facility helps the company to bridge the gap in working capital requirements.
Operating cycle of company remained satisfactory 68 days in FY24 (FY23: 65 days). GCA in the projected period shall be adequate to fund the debt repayment obligation, which is expected to remain in the range of ₹16 crore - ₹17.50 crore in FY26 - FY27. SEL had free cash and bank balance of ₹0.62 crore as on September 30, 2024, apart from lien marked fixed deposits of ₹17.43 crore.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Non-Ferrous Metal
Consolidation

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Cables - electricals

Jaipur-based (Rajasthan) SEL was originally incorporated as proprietorship concern in 2003 under the name of Shera Metals & Engineers by Sheikh Naseem. In 2009, its constitution was changed to Private limited, and later it got listed on National Stock Exchange (NSE) SME platform in 2023.

SEL primarily focuses on the production of specialised winding wires. The key offerings include round winding wires, bunched copper, and rectangular copper conductors in forms such as bare, super enamelled, or paper covered. The manufacturing facility of the company is at Kaladhera, Rajasthan having an installed capacity of 20,600 MTPA.

SEL has two domestic subsidiaries, SMPL and RIL. SMPL is engaged into manufacturing copper bus bar, tin-plated copper bus bar, brass rod & wires and paper covered copper strips, tubes and conductors having an installed capacity of 13,000 MTPA as on March 31, 2025, enhanced from 9,270 MTPA as on September 30, 2024, for manufacturing copper, aluminium, and brass-based products.

RIL is engaged in manufacturing copper, aluminium, and brass extruded and drawn products such as billets/ingots, Mother shells, Tubes/pipes, and Hollow/solid rods, among others. RIL's manufacturing facility in Sikar, Rajasthan, having an installed capacity of 13,150 MTPA as on March 31, 2025, enhanced from 11,260 MTPA as on September 30, 2024.

Consolidated

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	696.39	875.12	909.00
PBILDT	38.50	51.21	42.91
PAT	9.11	14.05	15.63
Overall gearing (times)	2.13	2.10	NA
Interest coverage (times)	1.72	1.69	2.40

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Standalone

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Total operating income	548.28	629.40	625.04
PBILDT	20.57	25.75	20.53
PAT	4.65	6.98	6.82

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	December 31, 2024 (UA)
Overall gearing (times)	1.32	1.66	NA
Interest coverage (times)	1.48	1.41	1.93

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: None

Any other information: None

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	February, 2028	4.49	CARE BBB+; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	115.16	CARE BBB+; Stable / CARE A3+
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	15.00	CARE BBB+; Stable / CARE A3+
Non-fund-based - ST-Credit Exposure Limit		-	-	-	1.35	CARE A3+
Non-fund-based - ST-Letter of credit		-	-	-	117.00	CARE A3+

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-Term Loan	LT	4.49	CARE BBB+; Stable	-	1)CARE BBB+; Stable (24-Jan-25)	-	-
2	Fund-based - LT/ ST-Cash Credit	LT/ST	115.16	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB+; Stable / CARE A3+ (24-Jan-25)	-	-
3	Non-fund-based - ST-Letter of credit	ST	117.00	CARE A3+	-	1)CARE A3+ (24-Jan-25)	-	-
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	15.00	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB+; Stable / CARE A3+ (24-Jan-25)	-	-
5	Non-fund-based - ST-Credit Exposure Limit	ST	1.35	CARE A3+	-	1)CARE A3+ (24-Jan-25)	-	-

LT: Long term; ST: Short 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-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Credit Exposure Limit	Simple
5	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Rajputana Industries Limited	Full Consolidation	Subsidiary
2	Shera Metal Private Limited	Full Consolidation	Subsidiary
3	Shera Zambia Limited	Full Consolidation	Subsidiary

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 for clarifications.

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About us:
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