



Press Release

Shah Foils Limited

March 21, 2025

Ratings

| Instrument Facility / | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|---------------------------|---|--|--|---------------------------------|--------------------------------------|
| Long Term Bank Facilities | 94.54 | IVR BBB+/ Stable (IVR triple B plus with stable outlook) withdrawn | IVR BBB+/ Stable (IVR triple B plus with Stable outlook) | Rating reaffirmed and withdrawn | Simple |
| Short Term Bank Facility | - | - | IVR A2 (IVR A two) | Withdrawn | Simple |
| Total | 94.54 (INR ninety four crore and fifty four lakh only) | | | | |

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has reaffirmed and withdrawn the outstanding long-term rating of 'IVR BBB+/ Stable (IVR triple B plus with Stable outlook)', and withdrawn the outstanding short-term rating of 'IVR A2 (IVR A two)' assigned to the bank facilities of Shah Foils Limited (SFL) with immediate effect. The reaffirmation of the long-term rating assigned to the bank facilities of SFL considers experienced promoters, a conservative capital structure and adequate coverage indicators. However, these rating strengths remain constrained due to decline in the profits during FY24 (refers to period April 1st, 2023, to March 31st, 2024) and 9MFY25 (provisional) (refers to period April 1st, 2024, to December 31st, 2024), exposure towards group company in the form of corporate guarantee, elongated working capital cycle and susceptibility of profitability to volatility in raw material prices.

The long-term rating outlook is 'Stable' on account of the company's experienced management, established track record of operations and adequate financial risk profile.

The withdrawal has been taken at the request of SFL and 'No Objection Certificate' received from ICICI Bank and HDFC Bank, and 'No Due Certificate' received from State Bank of India



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that have extended the facilities rated by Infomerics. The ratings are withdrawn in accordance with Infomerics' policy on withdrawal. Link to the withdrawal policy is provided below.

Key Rating Sensitivities:

Upward Factors

- Not applicable

Downward Factors

- Not applicable

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The promoters of the company, Singhvi and Shah families have two decades of experience in the steel industry. Currently, the company is headed by Mr. Karthik Shah, who is ably supported by a strong line of mid-level managers. The extensive experience of the promoters is reflected through the established relationship with its customers and suppliers.

- **Conservative capital structure and adequate coverage indicators**

As on March 31, 2024, the company's adjusted total debt (adjusted for corporate guarantee of Rs. 27.75 crore given in favor of its associate entity, Stellinox Stainless Private Limited (SSPL)) was Rs. 149.52 which improved from total adjusted debt (adjusted for corporate guarantee of Rs. 30.55 crore given in favor of its associate entity SSPL) was Rs. 160.93 crore as on March 31, 2023, primarily due to decrease in bank borrowings. Adjusted total net worth (adjusted for advances given to and investment in associate companies of Rs. 40.94 crore) as on March 31, 2024, was Rs. 191.84 crore up from adjusted networth (adjusted for advances given to and investment in associate companies of Rs. 32.42 crore) was Rs. 178.49 crore as on March 31, 2023. The company's capital structure was conservative with adjusted overall gearing of 0.99 times as of March 31, 2024, and the same improved from 1.31 times as of March 31, 2023, due to decrease in bank borrowing. Adjusted TOL/TNW improved to 1.23 times as on March 31, 2024, compared with 1.54 times as on March 31, 2023. Debt protection metrics were adequate with DSCR of 1.58 times in FY24 compared with 1.88 times in FY23. ISCR was 3.89 times in FY24 compared with 5.41 times in FY23 due to decline in EBITDA.



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Key Rating Weaknesses

- **Decline in the profits during FY24 and 9MFY25 (provisional)**

The company witnessed a decline in net profit in FY24 which was down by ~37% y-o-y to Rs. 13.37 crore, due to a decline in price realisation, due to higher sale of low margin products. The same continued in 9MFY25 (provisional), which led to a decline in PAT by ~3% to Rs. 11.03 crore.

- **Exposure towards group company in the form of corporate guarantee**

The company has exposure in the form of corporate guarantee in favour of bank loan facilities availed by Stellinox Stainless Private Limited (SSPL), one of its group companies. The exposure on account of this corporate guarantee as Rs. 27.75 crore as on March 31, 2024. Any crystallisation of such liability may impact the company's liquidity profile.

- **Elongated working capital cycle**

SFL's operations are working capital intensive in nature as reflected by GCA days of ~100 days in FY24, though the same improved from 132 days in FY23. The GCA days are driven by high inventory and low creditors period. The inventory days stood at 66 days in FY24 (73 days in FY23). The debtor days, however, improved to 31 days in FY24 from 37 days in FY23. Since the company mostly makes payment on advance basis for its imports and domestic purchases are made on immediate basis it gets limited credit period from its suppliers. Thus, creditors period was 8 days in FY24, compared to 17 days in FY23.

- **Susceptibility of profitability to volatility in raw material prices**

Major raw materials required for the company are stainless steel coils. Since raw material is the major cost driver, the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw-material prices. Further, finished steel prices are also highly volatile and prone to fluctuations based on global demand supply situations and other macro-economic factors.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)



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[Criteria of assigning Rating Outlook](#)

[Policy of default recognition](#)

[Criteria on complexity](#)

[Policy on withdrawal of ratings](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY25-FY27. The average fund-based utilisation for the past twelve months ended January 2025, remained moderate at ~55% indicating a sufficient cushion. Absence of any debt funded capex provides further comfort to the liquidity position.

About the company

Shah Foils Limited, based in Gujarat, was formed as a partnership firm named Shah Metal Industries in 2001 and reconstituted as a private limited company in 2004 and as a closely held public limited company in 2011. It has been promoted by the Gujarat-based Shah and Singhvi families. The company manufactures stainless steel cold-rolled coils, strips and circles and mainly caters to stainless steel tubes, auto ancillary and utensil manufacturers. The company's manufacturing facility is located in Ahmedabad and Ludhiana with annual installed capacity of 76000 MT p. a.

Financials (Standalone):

| For the year ended/ As on* | (Rs. crore) | |
|--------------------------------------|-------------|------------|
| | 31-03-2023 | 31-03-2024 |
| | Audited | Audited |
| Total Operating Income | 835.42 | 938.12 |
| EBITDA | 44.67 | 33.22 |
| PAT | 21.37 | 13.37 |
| Total Debt (Adjusted) | 191.48 | 149.53 |
| Tangible Net Worth (Adjusted) | 146.07 | 150.90 |
| EBITDA Margin (%) | 5.35 | 3.54 |
| PAT Margin (%) | 2.56 | 1.42 |
| Overall Gearing Ratio (x) (Adjusted) | 1.31 | 0.99 |
| Interest Coverage (x) | 5.41 | 3.89 |

*Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Ratings (Year 2024-25) | | | Rating History for the past 3 years | | |
|---------|-------------------------------|--------------------------------|--------------------------------|---------------------------|--|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 (January 19, 2024) | Date(s) & Rating(s) assigned in 2022-23 (November 17, 2022) | Date(s) & Rating(s) assigned in 2021-22 |
| 1. | Term loan | Long term | 4.54 | IVR BBB+/Stable/Withdrawn | IVR BBB+/Stable | IVR A-/Stable | - |
| 2. | Cash Credit | Long Term | 90.00 | IVR BBB+/Stable/Withdrawn | IVR BBB+/Stable | IVR A-/Stable | - |
| 3. | Bank Guarantee | - | - | Withdrawn | IVR A2 | IVR A2+ | - |

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) (formerly Infomerics Valuation & Rating Pvt Ltd) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Facility Details

| Name of Facility/ /Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|--------------------------------|------|------------------|---------------------|---------------|---------------------------------|-------------------------------|
| Term Loan 1 | - | - | - | - | - | Withdrawn |
| Term Loan 2 | - | - | - | - | - | Withdrawn |
| Term Loan 3 | - | - | - | FY24 | 0.92 | IVR BBB+/ Stable Withdrawn |
| Term Loan 4 | - | - | - | FY24 | 2.38 | IVR BBB+/ Stable Withdrawn |
| Term Loan 5 | - | - | - | FY25 | 1.24 | IVR BBB+/ Stable Withdrawn |
| GECL | - | - | - | - | - | Withdrawn |
| Cash Credit 1 | - | - | - | - | - | Withdrawn |
| Cash Credit 2 | - | - | - | - | 50.00 | IVR BBB+/ Stable Withdrawn |
| Cash Credit 3 | - | - | - | - | 40.00 | IVR BBB+/ Stable Withdrawn |
| Bank Guarantee | - | - | - | - | - | Withdrawn |

Annexure 2: Facility wise lender details: Not Applicable

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable



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Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

