



Press Release

Smartgen Infra Private Limited

December 24, 2024

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	7.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B minus with Stable outlook)	Upgraded	Simple
Short Term bank Facilities	107.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Re-affirmed	Simple
Short Term bank Facilities (Proposed)	200.00	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	314.00	(Rupees Three Hundred and Fourteen Crores only)			

Details of Facilities/Instrument are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgraded the long-term rating to IVR BBB with a stable outlook and re-affirmed the Short-Term rating to IVR A3 for the bank loan facilities of Smartgen Infra Private Limited (SIPL).

The upgradation/re-affirmation of the long/Short term ratings assigned to the existing bank facilities, and the ratings assigned to the enhanced bank facilities of Smartgen Infra Private Limited (SIPL) considers experienced promoters in the coal trading business and the satisfactory execution track record of the company in addition to the favourable location of operation in the mineral rich area such as Maharashtra, Chhattisgarh, Madhya Pradesh, Jharkhand, and other states. The ratings also favourably factor in its conservative capital structure coupled with comfortable debt protection metrics. However, these rating strengths are constrained due to slight moderation in scale of operation, susceptibility of its profitability to volatile coal prices, exposure to government regulations and the working capital-intensive nature of operations.



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The Stable outlook on SIPL's reflects IVR's opinion that company will continue to benefit from vast experience of promoters and long track record of operations in wire industry with reputed customer base.

IVR has principally relied on the standalone financial results of SIPL's up to March 31, 2024 (Audited) (Review period April 01, 2023 to March 31, 2024) and three years projected financials till FY27, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- ✓ Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- ✓ Sustenance of the capital structure with improvement in debt protection metrics

Downward Factors

- ✓ Decline in the operating income or profitability impacting on the debt coverage indicators on a sustained basis.
- ✓ Moderation in the capital structure with deterioration in the overall gearing ratio.
- ✓ Elongation in the operating cycle adversely impacts the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Long Track Record of operation along with established relationships with customers**

The company has been in the coal trading business since 2013. Furthermore, the promoters of the company have an experience of more than one and a half decade in the industry. The company's longstanding presence in the market has enabled it to build strong relationships with its clients and has also helped it to diversify into other related activities. Moreover, SIPL has a strong and growing customer base among domestic players. The customer profile of the company includes Tamil Nadu Generation and Distribution Corporation Limited



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(TANGEDCO), Karnataka Power corporation limited (TNPL), IL&FS Tamil Nadu Power Company Limited (ITPCL) (operated by Banks appointed Resolution Professional); Dalmia Cements Ltd etc. The long-standing relationships with some of the clients exceeds 8 years, which translates into repeat of business for the company.

- **Growth in scale of operation with steady profitability**

The total operating income of company marginal decline in FY24 by around 4.77% and stood at Rs.1,389.97 crore from Rs. 1,459.61 crore in FY23 as there was a price correction in the supply of Steaming Coal. The average realisation per ton of Steam supply in FY23 was Rs.9905 as against which the average realisation in FY24 was Rs.8045 – a correction by 18.78%. which has resulted in a decrease in the company's revenues for the year. Despite the intense competition in the domestic coal trading industry along with low value additive nature of business, both operating margin and PAT margin of the company remained comfortable at 4.07% and 2.89% respectively in FY24 (Aud.). Furthermore, the net cash accrual of the company also stood comfortable at ~Rs.36.92 crore in FY24 (Audited) with minimal external debt repayment obligation.

- **Satisfactory financial risk profile with comfortable debt protection metrics**

The adjusted net worth of company stood at Rs.180.67 crore as on March 31, 2024 (Aud.). Long term debt to equity and overall gearing of the group (based on adjusted tangible net worth) stood satisfactory at 0.07x and 0.07x respectively as on March 31, 2024 (Aud.). Total indebtedness of the company as reflected by TOL/ATNW also stood comfortable at 2.86x though declined from 1.93x due to increase in the sundry creditor to Rs. 481.32 crore as on March 31, 2024 (Aud.) Debt protection metrics marked by the interest coverage ratio has remained comfortable at 9.18x in FY24 (Aud.). Total debt to EBITDA and Total debt to NCA both remained satisfactory at 0.23x and 0.36 years respectively in as on March 31, 2024 (Aud.).



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- **Comfortable order book**

The order book position at SIPL is comfortable, with unexecuted orders on hand for steam coal is about Rs.353.97 crores; aluminum products about Rs.240.00 crores as on Oct 31, 2024.

Key Rating Weaknesses

- **Competitive and Regulated Industry**

Coal trading is highly fragmented, with a large number of players, due to the low entry barriers. This has restricted the growth in the company's margins in these segments. Also, the industry is highly regulated, with the ministry of coal governing its operations in the country. Any adverse regulations would impact on the operations of the company.

- **Profitability susceptible to volatility in fuel price**

The profitability of the Company is susceptible to volatility in fuel prices as it generally enters into a fixed price contract. However, the margin/surcharge for bunker cost calculation is taken into account in the pricing of the contract.

- **Working capital intensive nature of operations**

The operations of the company are working capital intensively as the company needs to procure coal through advance payment or on spot payment whereas it has to extend credit period to 4 its customers resulting in high receivables. Further, a large part of its working capital remained blocked in advance payment.

Analytical Approach: Standalone Approach

Applicable Criteria :

[Rating Methodology for Trading entities](#)

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

[Criteria for assigning rating outlook](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)



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Liquidity – Adequate

The liquidity position of the company is adequate as reflected by sufficient cushion in gross cash accruals which stood at ~Rs.36.92 crore in FY24 as against its low debt repayment obligation of Rs.2.80 crore. Further the company is expected to earn a gross cash accrual in the range of ~Rs.44.02- 76.46 crore as against its debt repayment obligations around ~Rs.2.80 crore per year during FY25-27. The cash and bank balances of the company stood at Rs.4.60 Cr as on March 31, 2024(Aud.). The Current Ratio stood comfortable at 1.21x as on March 31, 2024.

About the Company

SIPL is engaged primarily in Trading of Imported Coal in bulk, metals and in infrastructure related activities, with consistent track record of performance having reported annual gross revenues of about INR 1400 crores in FY24. The customer profile of the entity includes government owned premier power generating units with annual supply of about 1.0 million metric tons and served these customers braving the pandemic and thus earned goodwill as one of the most reliable suppliers. On the infrastructure front, SIPL also executed prestigious government contracts in south India. SIPL has entered metal trading for the last two years and now trading in Aluminium Wire to various customers in South and East India. The present Authorised / Paid-up capital is INR 80 crores and net worth is about Rs.180.00 crores.

Financials (Standalone):

	(Rs. crore)	
For the year ended* As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1,459.61	1,389.97
EBITDA	75.66	56.62
PAT	38.55	40.40
Total Debt	19.76	13.29
Tangible Net worth*	148.01	182.42
EBITDA Margin (%)	5.18	4.07
PAT Margin (%)	2.64	2.89
Overall Gearing Ratio (x)	0.13	0.07
ISCR (x)	3.48	9.18



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**as per Infomerics standards*

Status of non-cooperation with previous CRA : Nil

Any other information: : Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 Dated : Oct 26, 2023	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1	Fund Based-Term Loan	Long Term	4.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B minus with Stable outlook)	-	-
2	Fund Based-Cash Credit	Long Term	3.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B minus with Stable outlook)	-	-
3	Non - Fund Based – LC/BG	Short Term	107.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	-	-
4	Non - Fund Based – BG	Short Term	200.00	IVR A3 (IVR A Three)			

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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



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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.

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 visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan			Dec 2028	4.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)



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Long Term Bank Facilities – Cash Credit			Revolving in Nature	3.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)
Short Term Bank Facilities – Letter of Credit/Bank Guarantee			-	107.00	IVR A3 (IVR A Three)
Short Term Bank Facilities – Bank Guarantee (Proposed)			-	200.00	IVR A3 (IVR A Three)

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Smartgen-Infra-24dec24.pdf>

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

Annexure 4: List of companies considered for consolidated analysis : Nil

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