



Press Release

Saurashtra Fuels Private Limited

July 19, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loan	10.19	IVR BBB- /Positive Outlook (IVR Triple B Minus with Positive Outlook)	Assigned	Simple
Long Term Fund Based Facilities – Cash Credit	30.00	IVR BBB- /Positive Outlook (IVR Triple B Minus with Positive Outlook)	Assigned	Simple
Long Term Fund Based Facilities - Proposed	8.00	IVR BBB- /Positive Outlook (IVR Triple B Minus with Positive Outlook)	Assigned	Simple
Short Term Non-Fund Based Facilities- Letter of Credit	30.00	IVR A3 (IVR A Three)	Assigned	Simple
Short Term Non-Fund Based Facilities-Proposed	21.81	IVR A3 (IVR A Three)	Assigned	Simple
Total	100.00			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Saurashtra Fuels Private Limited derive strength from its Experience of Long operational track record and experienced promoters, Robust financial risk profile, and Strategic location of the plant. However, the rating strengths are partially offset by Volatility in raw material and finished goods prices, and Susceptible to performance of end-user industry and cyclical demand in the coke industry.

Positive Outlook reflects expected sustained growth in operations & profitability leading to improvement in overall business risk profile.

Upward Factors

- Sustained increase in manufacturing sales driven by volume growth and steady operating profitability, leading to sustenance in interest coverage ratio.
- Stable working capital cycle resulting in comfortable gearing and capital structure.



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Downward Factors

- Susceptibility to volatility in raw material prices and foreign exchange rates.
- Any large debt-funded capital expenditure may result in deterioration of financial risk profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Long operational track record and experienced promoters:

SFPL's directors, Mr. Dipak Agarwalla, Mr. S K Sinha and Mr. Kunda Singh have experience of over four decades in this industry. The top management along with a team of capable professionals look after the day-to-day operations of the company. Company is the largest LAM coke player in India in terms of capacity, with installed capacity of 14 lakh ton per annum (TPA). Over the years, the company has developed a strong relationship with customers such as JSW Steel Ltd, Electrotherm India Ltd, Hindustan Zinc Ltd, Gujarat Heavy Chemicals Ltd, and Nirma Ltd, resulting in repeat orders.

Robust financial risk profile:

Net worth is expected to remain strong at Rs 233.09 crore as on March 31, 2022, provisional (Rs 118.21 crore a year earlier), backed by steady accretion to reserves augmenting financial flexibility to cope with abrupt changes in business condition. Capital structure has improved with gradual repayment of term loans. Gearing has remained moderate at around to 0.50-0.30 times over last few fiscals. Gearing is expected to sustain at this healthy level over medium term. Debt protection metrics is expected to remain above average, with interest coverage and DSCR ratios of 21.77 times and 18.51 time respectively in fiscal 2022 provisional.

Strategic location of the plant:

SFPL majorly imports coking coal mainly from Australia, Its coke manufacturing facility is in proximity to Kandla Port (~40 Km) which facilitates SFPL to readily transport coal to its plant location, thereby enabling it to save on its inward freight cost. Further, majority of the customers of SFPL are also located across the state of Gujarat.



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Key Rating Weaknesses:

Volatility in raw material and finished goods prices:

Operating margin is susceptible to fluctuations in input prices (coal) as well as realization of finished goods. Any sharp delta in input prices in the absence of almost similar delta in realizations can significantly dent profitability. As most of the procurement is against confirmed orders, the margins are protected to a large extent.

Susceptible to performance of end-user industry and cyclical demand in the coke industry:

Coke is used as fuel in the iron and steel industry. Hence, prospects for the LAM coke industry are linked to the overall fortunes of this end-user segment. The inherent cyclicity in the steel business, the key consuming industry, is likely to keep the cash flows and profitability of the company volatile. However, the company also caters to other industries, which mitigates the risk to some extent.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for [Manufacturing Companies](#).

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

Liquidity – Adequate

Liquidity is well supported by healthy cash accrual of over Rs 125.31 crore in FY 2022 provisional and with stable margin and growing scale of operations, the cash accruals are expected to be over Rs. 80-90 crores in FY23, which should be sufficient to cover repayment of Rs.3-4 cr. In last 12 months ending May 2022 average fund-based limit utilization has been at 61%. The company has no major capex plans apart from regular maintenance of capex of Rs. 15-20 cr. Current ratio was moderate at 2.13 times as on March 31, 2022 and is expected to remain moderate going ahead as well.



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About the Company:

Saurashtra Fuels Pvt Ltd was co-promoted by the Mr. Agarwalla and Mr. Sinha Groups in 1993 with the objective of producing quality low ash metallurgical coke with the latest technology based on imported coal in Western India. Saurashtra Fuels Private Limited is having below 6 manufacturing facilities all located in Gujarat with installed capacity of 14 lakh p.a.

Financials: Standalone

For the year ended/ As On	31-03-2021	31-03-2022
	(Audited)	(Provisional)
Total Operating Income	211.97	1153.52
EBITDA	16.33	188.12
PAT	1.90	114.76
Total Debt	54.32	72.60
Adjusted Tangible Net-worth*	124.40	242.25
<u>Ratios</u>		
EBITDA Margin (%)	7.71	16.31
PAT Margin (%)	0.89	9.91
Overall Gearing Ratio* (x)	0.44	0.30

Status of non-cooperation with previous CRA:

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-2019	Date(s) & Rating(s) assigned in 2019-2018
1.	Long Term Fund Based Bank Facilities – Term Loan	Long Term	10.19	IVR BBB-/Positive Outlook (IVR Triple B Minus with Positive Outlook)	--	--	--
2.	Long Term Fund Based Facilities – Cash Credit	Long Term	30.00	IVR BBB-/Positive Outlook (IVR	--	--	--



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				Triple B Minus with Positive Outlook)			
3.	Long Term Fund Based Facilities - Proposed	Long Term	8.00	IVR BBB-/Positive Outlook (IVR Triple B Minus with Positive Outlook)	--	--	--
4.	Short Term Non-Fund Based Facilities- Letter of Credit	Short Term	30.00	IVR A3 (IVR A Three)	--	--	--
5.	Short Term Non-Fund Based Facilities – Proposed	Short Term	21.81	IVR A3 (IVR A Three)	--	--	--
	Total		100.00				

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.



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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 Fund Based Bank Facilities – Term Loan	-	-	-	10.19	IVR BBB- /Positive Outlook (IVR Triple B Minus with Positive Outlook)
Long Term Fund Based Facilities – Cash Credit	-	-	-	30.00	IVR BBB- /Positive Outlook (IVR Triple B Minus with Positive Outlook)
Long Term Fund Based Facilities - Proposed	-	-	-	8.00	IVR BBB- /Positive Outlook (IVR Triple B Minus with Positive Outlook)
Short Term Non-Fund Based Facilities- Letter of Credit	-	-	-	30.00	IVR A3 (IVR A Three)
Short Term Non-Fund Based Facilities – Proposed	-	-	-	21.81	IVR A3 (IVR A Three)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.



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Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Saurashtra-Fuels-july22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Name of the Instrument		Detailed Explanation
1	Term Loan	Simple
2	Cash Credit	Simple
4	Letter of Credit	Simple

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.