



Press Release

Shree Shakambari Ferro Alloys Private Limited

February 28, 2022

Rating

Instrument/ Facility	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	50.00	IVR BB/ Stable (IVR Double B with Stable Outlook)	Assigned	Simple
Total	50.00	INR Fifty Crore Only		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Shree Shakambari Ferro Alloys Private Limited (SSFAPL) draws comfort from its established track record of operations under experienced promoters, stable financial performance with expected improvement in FY22 and moderate capital structure with moderate debt protection metrics. However, these rating strengths are partially offset by its modest scale of operations, working capital intensive nature of its operations and low-capacity utilization in the past fiscal.

Key Rating Sensitivities

Upward Factors

- Sustained improvement in the revenue thereby leading to improvement of profitability and debt protection metrics
- Improvement in the capital structure with improvement in overall gearing to below 1.5x
- Sustained improvement in working capital cycle leading to further improvement in liquidity and reduction in average cash credit utilisation

Downward Factors

- More than expected moderation in scale of operations thereby leading to deterioration in profitability with operating margin dampened below 13%
- Deterioration of overall gearing to over 2.5x and /or deterioration in interest coverage to below 2x.
- Moderation in liquidity position with elongation in operating cycle



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with established track record of operations**

SSFAPL was incorporated in 2005 by Mr. Kailash Keyal, who has been engaged into Ferro Alloys & Steel Business for the past four decades. Mr. Naresh Keyal, the other Director is engaged in Steel & Ferro Alloys business for the past three decades. Mr. Restor Marshillong Lyngdoh, is also a director on the board and looks after the coal mining division of the company. He has around two decades of experience in coal mining & coal marketing business. The Directors are well supported by a team of experienced and qualified professionals. During November 2021, Berry Alloys Limited (BAL) have agreed to acquire 50% of the paid-up share capital of SSFAPL. BAL has a strong financial risk profile.

- **Stable financial performance with expected improvement in FY22**

The total operating income (TOI) of the company though remained erratic, remained stable over the past three fiscals. In FY20, the company witnessed a dip of ~31% y-o-y in its TOI mainly due to deterioration in production capacity as a result of frequent breakdown in plant. However, in FY21(Aud.), the plant has been well maintained and the breakdown has been taken care off. The TOI improved by 14.20% y-o-y from Rs.51.79 crore in FY20 to Rs.59.15 crore in FY21, attributable to increase in Ferro Silicon prices. The company faced net loss in FY20 due to moderation in EBITDA though there was no cash loss. The profitability of the company marked by the EBITDA margin and the PAT margin significantly improved in FY21 as compared to FY20. The EBITDA margin and PAT margin in FY21 stood at 23.34% and 3.29% respectively (as against 13.98% and -9.76% respectively in FY20). Furthermore, in 8MFY22, SSFAPL has achieved Rs.79.68 crore of revenue.

- **Moderate capital structure with moderate debt protection metrics**

The capital structure of the company remained moderate over the past three account closing dates marked by its average leverage ratios. The debt equity ratio and overall gearing ratio stood at 1.24x and 1.52x respectively as on March 31,2021 (Aud.). The TOL/TNW stood at 1.96x as on March 31, 2021. Further, the debt protection metrics of the company also remained moderate over the past three fiscals. The interest coverage ratio remained adequate at 2.07x in FY21 and improved y-o-y, as against 1.10x in FY20. The Total debt to EBITDA and the Total debt to GCA remained high at 4.32x and 8.34x respectively as on March 31,2021.



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Key Rating Weaknesses

- **Modest scale of operations**

The scale of operations of the company remained modest at ~Rs.59 crore in FY21. Modest scale restricts the financial flexibility to an extent and restricts bargaining power with customers and suppliers and deprive from benefits of economies of scale.

- **Working capital intensive nature of operations**

The operation of the company remained working capital intensive marked by its elongated average inventory period and long average debtor's collection period. To support its high working capital requirements, the company depends on its working capital borrowings from the banks and avail long credit period from its suppliers. The operating cycle of the company remained elongated at 177 days (as compared to 200 days in FY20) with gross current asset days at 250 days in FY21. The average utilisation of its bank limits remained around ~89% in the past 12 months ended in October 2021.

- **Low-capacity utilization in the past fiscal**

The company has an installed capacity to 8820 MTPA. While capacity utilization remained at ~90% in FY20, it reduced to ~57% in FY21. Given the current demand scenario for the ferro silicon, the company is expected to improve its capacity utilizations in the coming fiscal. The company in 6MFY22 has produced around ~3688 MT and is expected to improve its capacity utilization to ~83% in FY22.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity Position: Adequate

The liquidity position of the company is expected to remain adequate marked by its expected adequate gross cash accrual (GCA) in the range of ~Rs.13–19 crore as against its debt repayment obligation in the range of ~Rs.11-14 crore during FY22-24. The company has earned a gross cash accrual of Rs.7.16 crore in FY21. However, the liquidity position of the company is restricted due to its working capital-intensive nature of operation marked by its high GCA days of 250 days and elongated operating cycle at 177 days in FY21. Further, the



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average utilisation of its bank limits remained low at ~56% in the past 12 months ended in October 2021 indicating a high liquidity buffer. The improvement in its working capital management is a key monitorable.

About the Company

SSFAPL was incorporated in 2005 by Mr. Kailash Kayal. SSFAPL started its operation from 2014. It possesses its own coal mines to run the 10MW thermal based Power Plant for manufacturing of Ferro Silicon, having an installed capacity of 8940 MPTA, installed in a remote area surrounded by hills in West Khasi Hills region of Meghalaya in Riwiang Valley. Being a standalone Industry, it enjoys the easy accessibility of basic raw material in the adjacent area containing the high quality of silica i.e. 90.8%. The company manufactures slim ferro silicon, which is cost effective to the buyer as it melts easily as compared to the other ferro silicon thereby decreasing the melting cost for the buyer. Having a captive power plant and the continuous supply of coal in the Meghalaya region, uninterrupted production has been maintained with the quality of Ferro Silicon catering both the domestic as well as international market.

During FY22, M/s Berry Alloys Limited (BAL) have agreed to acquire 50% of the paid-up share capital of Shree Shakambari Ferro Alloys Private Limited vide MOU dated November 26, 2021. The company is promoted by Kolkata based Mr. Vijay Gupta. BAL has its manufacturing facilities in Bobbili (Vizianagaram district) of Andhra Pradesh.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	51.79	59.15
EBITDA	7.24	13.80
PAT	-5.07	1.95
Total Debt	56.18	59.69
Tangible Net worth	37.27	39.21
Adjusted Tangible Net worth	37.27	39.21
EBITDA Margin (%)	13.98	23.34
PAT Margin (%)	-9.76	3.29
Overall Gearing Ratio (x)	1.51	1.52
Interest Coverage Ratio (x)	1.10	2.07

*Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	29.18	IVR BB/ Stable (IVR Double B with Stable Outlook)	-	-	-
2.	GECL	Long Term	10.08	IVR BB/ Stable (IVR Double B with Stable Outlook)	-	-	-
3.	Cash Credit	Long Term	10.74	IVR BB/ Stable (IVR Double B with Stable Outlook)	-	-	-

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About Infomerics:

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facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	-	-	Oct 2024	29.18	IVR BB/ Stable
Long Term Bank Facilities – GECL	-	-	March 2026	10.08	IVR BB/ Stable
Long Term Bank Facilities- Cash Credit	-	-	-	10.74	IVR BB/ Stable
Total				50.00	

Annexure 2: Facility wise lender details:

[Shree-Shakambari-lenders-feb22.pdf \(infomerics.com\)](#)

Annexure 3: List of companies considered for Consolidated Analysis: Not Applicable

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