



Press Release

Shree Shakambari Ferro Alloys Private Limited

September 07, 2022

Rating

Instrument/ Facility	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	37.76 (reduced from 50.00)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Revised from IVR BB/ Stable (IVR Double B with Stable Outlook)	Simple
Total	37.76	INR Thirty-Seven Crore and Seventy-Six Lakh Only		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating revision in the bank facilities of the company takes into account the improved financial performance in FY22 (Audited) coupled with comfortable debt protection metrics.

The rating revision 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 FY23 and healthy capital structure with comfortable debt protection metrics. However, these rating strengths are partially offset by the cyclical demand in ferroalloy industry and the susceptibility of the performance of end-user industry and

Key Rating Sensitivities

Upward Factors

- Sustained improvement in the revenue by 25% thereby leading to improvement of profitability and debt protection metrics with interest coverage ratio at more than 4.5x
- 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 1.5x and /or deterioration in interest coverage to below 2.5x.
- 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**

Shree Shakambari Ferro Alloys Private Limited (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, a renowned business tycoon in Eastern India, is engaged in Steel & Ferro Alloys business for the past three decades. Mr. Restor Marshillong Lyngdoh, is a local 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.

- **Stable financial performance**

The operating income of the company witnessed a CAGR of ~55% during FY20-FY22 and a significant y-o-y improvement of around ~109% from Rs.59.15 crore in FY21 to Rs.123.79 crore in FY22(Aud.), attributable to increase in Ferro Silicon prices. With the increase in ferro silicon import value, the ferro silicon imports from the international market have drastically reduced. As a result, the prices in India have shoot up and hence the market for ferro silicon increased and is further expected to increase significantly over the coming years. Owing to increase in the top line, the profitability remained comfortable in FY22 (Aud.) and the EBITDA and PAT margin stood at 17.23% and 8.24% respectively. Furthermore, in 5MFY23, SSFAPL has achieved ~Rs. 45 crores of revenue which is in line with its projections.

- **Healthy capital structure with comfortable debt protection metrics**

The capital structure of the company remained comfortable over the past three account closing dates. The tangible net worth as on March 31, 2022, stood comfortable at Rs.49.42 crore (as against Rs.39.21 crore as on March 31, 2021). Moreover, the overall gearing ratio and TOL/TNW improved y-o-y and stood comfortable at 0.96x and 1.63x respectively as on March 31,2022 Aud. Further, SSFAPL have prepaid its debt obligation amounting to Rs.7.50 crore in Aug'22, further reducing its future obligations.

The financial risk profile of the company also remained comfortable and improved significantly as marked by the interest coverage and Total debt to GCA of 3.55x and 3.50 years respectively in FY22.



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Key Rating Weaknesses

- **Susceptible to performance of end-user industry and cyclical demand in ferroalloy industry**

Ferroalloys are intermediates for the steel industry. Hence, the prospects for the ferroalloy industry are linked to the overall fortunes of the steel industry, which is inherently cyclical, as indicated by a downswing during fiscals 2009 and 2016, resulting in a sharp fall in the demand and prices of ferroalloys. Subsequently also the realisation for ferro-alloys has been driven by the performance of steel sector. Hence, SSFAPL's performance shall continue to remain susceptible to the performance of the steel industry

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

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.16–20 crore as against its debt repayment obligation in the range of Rs.5.5-11.5 crore during FY23-25. Moreover, the company has earned a gross cash accrual of Rs.13.57 crore in FY22 (Aud.). Further, the average utilisation of its bank limits remained low at around 31% in the past 12 months ended in June 2022, indicating a high liquidity buffer. Furthermore, the company has no planned Capex in next 2-3 years.

About the Company

Shree Shakambari Ferro Alloys Private Limited (SSFAPL) was incorporated in 2005 by Mr. Kailash Kayal. The company is engaged in the manufacturing of ferro silicon, having an installed capacity of 8820 MPTA. It possesses its own coal mines to run the 10MW thermal based Power Plant, installed in a remote area surrounded by hills in West Khasi Hills region of Meghalaya in Riwiang Valley. SSFAPL enjoys the easy accessibility of basic raw material



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in the adjacent area containing 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, catering to both the domestic as well as international markets.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	59.15	123.79
EBITDA	13.80	21.33
PAT	1.95	10.21
Total Debt	59.69	47.46
Tangible Net worth	39.21	49.42
EBITDA Margin (%)	23.34	17.23
PAT Margin (%)	3.29	8.24
Overall Gearing Ratio (x)	1.52	0.96
Interest Coverage Ratio (x)	2.07	3.55

*Classification 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 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 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	18.30 (reduced from 29.18)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	IVR BB/ Stable (IVR Double B with Stable Outlook)	-	-
2.	GECL	Long Term	8.72 (reduced from 10.08)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	IVR BB/ Stable (IVR Double B with Stable Outlook)	-	-
3.	Cash Credit	Long Term	10.74	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	IVR BB/ Stable (IVR Double B with Stable Outlook)	-	-



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust, and credible rating has gained the confidence of Investors and Banks.

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

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	-	-	Oct 2027	18.30	IVR BB+/ Stable
Long Term Bank Facilities – GECL	-	-	July 2026	8.72	IVR BB+/ Stable
Long Term Bank Facilities- Cash Credit	-	-	-	10.74	IVR BB+/ Stable
Total				37.76	

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-SSFA-sep22.pdf>

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.