Press Release

Seeta Energen Private Limited
February 24, 2025

Ratings

Facilities	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	38.84	IVR BBB/Stable (IVR Triple B with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facility	10.00	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Total	**48.84 (INR Forty-eight crore and eighty-four lakhs 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

For arriving at the rating, Infomerics Ratings has combined the business and financial risk profile of Seeta Energen Private Limited (SEPL) and Seeta Global Private Limited (SGPL) commonly referred as Seeta group hereafter since these entities are engaged in similar line of business, run under a common promoter and have operational & financial linkages.

The ratings assigned to the bank facilities of Seeta Energen Private Limited (SEPL) is driven by extensive experience of the promoters along with stable business performance of Seeta group in FY24 [FY refers to the period from April 1 to March 31] with satisfactory operating margin coupled with moderate capital structure and satisfactory debt protection metrics. The ratings also consider strong demand of power in Chhattisgarh coupled with easy availability of rice husk for production of biomass power backed by SEPL's Power purchase Agreement (PPA) with Chhattisgarh State Power Distribution Company Limited (CSPDCL). Further, SEPL's long term ferro-alloy procurement agreement with Kusum Smelters Private Limited (KSPL) for its newly ventured trading business vertical provide additional support. However, these rating strengths are partly offset by the limited operational track record of the group in the trading segment, customer concentration along with its exposure to related parties and the project completion and stabilisation risk of KSPL. Further, rating strengths would remain constrained owing the susceptibility of changes in Government regulations in coal trading coupled with the exposure to intense competition on account of fragmented industry structure and exposure to cyclicity in the steel industry.

The stable outlook reflects expected satisfactory business performance of the group in the near term supported by experienced promoters.

Key Rating Sensitivities:

Upward factors

- Sustained revenue growth with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Improvement in capital structure and debt protection metrics with overall gearing ratio to remain below 1x and interest coverage to remain over 4x on sustained basis
- Reduction in exposure to associate entities
- Improvement in working capital management with improvement in liquidity

Downward Factors

- Termination/Non-Renewal of PPA with CSPDCL
- Dip in operating income and/or moderation in profitability impacting the debt protection metrics
- Withdrawal of Subordinated Unsecured loan of Rs.9.47 crore which is treated as Quasi equity and/or any unplanned capex and/or substantial increase in working capital borrowings leading to impairment in capital structure with moderation in overall gearing to above 2x and moderation in interest coverage to below 2x

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Power purchase Agreement (PPA) with CSPDCL

SEPL is engaged in generation of power from biomass-based power plant of 7.5 MW of which it supplies 6.5 MW power to CSPDCL as per the PPA with which is valid for a period of 20 years ending in March 2027. The long-term agreement which is renewable once expired provides satisfactory steady revenue visibility of ~Rs.45-50 crore in the near to medium term.

Strong demand of power coupled with easy availability of rice husk

Chhattisgarh is considered as one of the prominent states for biomass electricity production primarily due to its large agricultural sector, generating a large amount of agricultural residue like rice husk, which can be used as biomass fuel, coupled with the presence of industries like steel and iron that readily consume this biomass power. Moreover, biomass power plants are considered a cleaner energy source compared to fossil fuels as they utilize renewable agricultural waste. Biomass plant of the SEPL is located at Raipur, Chhattisgarh, which is one of the major rice producing districts in the state. Rice being the main crop grown in the state, provide locational advantage and sufficient assess to risk husk the key raw material for production of biomass electricity.

Tie up agreement with Kusum Smelters Private Limited

SEPL has made a tie up agreement with Chhattisgarh based KSPL for ten years where SEPL would enjoy the first right to procure the entire ferro-alloy (Unit II) at a market driven price and would enjoy an additional incentive if more than 75% of annual production of KSPL is procured by SEPL. This long-term offtake agreement would secure availability of material for SEPL and provide additional trading margin for resale.

Stable business performance with satisfactory operating margin

Total operating revenue of the Seeta group has witnessed a steady growth over the past couple of years as the topline has improved from Rs.84.65 crore in FY22 to Rs.133.73 crore in FY23 and subsequently to Rs.488.53 crore in FY24. The improvement in scale is attributable to higher proportion of trading revenue from FY24 which has eventually become the major revenue driver of the group. Backed by improved topline, the absolute EBITDA and PAT have also gone up gradually over the years. However, owing the low value adding nature of trading activity, the operating margin has dipped to 3.42% in FY24 as compared to 6.07% in FY23. Further, on account of higher depreciation and finance cost in FY24, the PAT margin has dipped yet stood satisfactory at 1.63% in FY24 as against 2.94% of FY23. In the present fiscal, till December 2024, the group has managed to generate revenue of ~Rs.186 crore with slightly improved operating margin backed by higher proportion of trading commission income in the revenue mix.

Moderate capital structure with satisfactory debt protection metrics

The capital structure of the group had remained moderate on the past three account closing marked by its modest net worth base at Rs. 53.28 crore as on March 31, 2024. After considering the subordinated unsecured loan of Rs. 9.47 crore as quasi equity and adjusting the group's exposure in associate entities in the form of investment and loans and the disputed receivables aggregating to Rs.13.86 crore, the adjusted net worth of the group stood at Rs. 48.89 crore as on March 31, 2024. On the other hand, higher utilisation of working capital borrowings coupled with fresh availment of Term loan has elevated the debt level in FY24. However, the adjusted long-term debt to equity and adjusted overall gearing remain satisfactory at 0.76x and 1.47x respectively as on March 31, 2024, as against 1.16x and 2.12x respectively as on March 31, 2023. Total indebtedness of the group marked by TOL/ATNW also stood satisfactory at 2.96x as on March 31, 2024, improved from 4.29x as on March 31, 2023. Notwithstanding, the increase in finance cost, backed by steady EBITDA, the interest coverage has improved and stood satisfactory at 3.15x in FY24. Because of elevated debt level, Total Debt to EBITDA and Total Debt to GCA though improved, continues to remain moderate at 4.31x and 7.04 years respectively as on March 31, 2024

Key Rating Weaknesses:

Limited operational track record with customer concentration

Incorporated in 2004, SEPL had been engaged in power generation since 2010. From FY24, to expand and diversify its scope and scale of operation, the company has ventured into trading segment. Whereas, incorporated in 2021, SGPL is engaged in trading of coal, iron ore and MS billets has less than five years of operational track record in the industry. Hence, the groups exposure in the newly ventured trading segment is low which in turn has become the main revenue churning activity from FY24. Further, the revenue generation from top five customers contributed ~55%-60% of FY24 revenue suggesting customer concentration as well.

Exposure in group entities

The group has exposure in its associate entities in the form of investment and loans & advances. High exposure to group entities restricts the financial flexibility of the group.

Project completion and stabilisation risk of Kusum Smelters Private Limited

Seeta Energen Private Limited (SEPL) has taken a term loan of Rs.20.00 core for providing security deposit to KSPL as per the agreed terms of the tie up agreement for material procurement. Chhattisgarh based KSPL, promoted by one Agarwal family has set up an integrated steel plant at Mungeli, Chhattisgarh. with 3 units as DRI Sponge Iron Unit, Ferro Alloy Unit and Power plant Unit of 16 MW. DRI sponge iron and power plant units have become operational while ferro-alloy manganese unit is expected to be operational by the April 2025. Hence, timely completion and successful stabilization of ferro-alloy unit in KSPL and expected benefits to be driven by SEPL from the tie up agreement is the key rating monitorable.

Susceptible to changes in Government regulations

Coal is an important resource for industrial activity and coal beneficiation business in India is highly regulated by the government. Further, the end user industries such as power generation, steel plants, infrastructure projects, cement plants to which the group is catering to are also under high regulation. Thus, the group's operations remain susceptible to any change in government regulations.

Exposure to intense competition on account of fragmented industry structure and exposure to cyclicity in the steel industry

The steel and coal trading industry are fragmented with a large number of players, due to the low entry barriers and characterised by intense competition which restricts its pricing flexibility and the growth of the group's margins. Moreover, the group has limited track record of operation in the trading segment and is also exposed to high cyclicity of the steel industry.

Analytical Approach: Combined

For arriving at the rating, Infomerics has combined the business and financial risk profile of Seeta Energen Private Limited, and Seeta Global Private Limited commonly referred as Seeta group hereafter since these entities are engaged in similar line of business, run under a common promoter and have operational and financial linkages. The lists of companies considered for consolidation are given in **Annexure 4.**

Applicable Criteria:

Rating Methodology for Trading Companies

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Policy on Default Recognition

Consolidation of Companies

Criteria on complexity

Liquidity: Adequate

The liquidity of the group is expected to remain adequate marked by its expected adequate cash accruals in the range of ~Rs.9.85-13.70 crore as against debt obligations in the range of ~Rs.5.65-6.79 crore during the projected period of FY25-FY27. The group has a satisfactory gearing headroom marked by its satisfactory leverage ratios. Further, comfortable current ratio of 1.32x as on March 31, 2024 also indicating an adequate liquidity buffer.

About Seeta Global Private Limited (SGPL)

Incorporated in 2021, Seeta Global private Limited (SGPL) is engaged in the trading of coal, iron ore and MS billets. The company is situated in Chhattisgarh and is managed by Mr. Neeraj Agrawal and Mr. Rahul Agrawal. Beside trading activity, SGPL also provides logistic support to its customers.

About the Company (SEPL)

Incorporated in 2004, Chhattisgarh based Seeta Energen Private Limited (SEPL) is promoted and manged by Mr. Neeraj Agrawal and Mr. Rahul Agrawal. The company is engaged in production of electricity though its 7.5 MW biomass (rice husk) based power plant which became operational in 2010. To diversify and scale up the business operation, SEPL has also ventured into trading of coal, iron ore and steel products from FY2023 onwards. Presently, the company generates majority of revenue from trading activities.

Financials of Seeta Energen Private Limited: **Standalone**

(Rs. crore)

For the year ended* / As On	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	47.49	185.72
EBITDA	5.64	11.32
PAT	3.45	5.92
Total Debt	25.65	43.60
Tangible Net worth	43.71	50.45
Adjusted Tangible Net worth	16.10	35.07
EBITDA Margin (%)	11.88	6.10
PAT Margin (%)	6.95	3.17
Overall Gearing Ratio (x) (Adjusted)	1.59	1.24
Interest Coverage	3.03	4.13

**Classification as per Infomerics' standards*

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 Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	LT	14.00	IVR BBB/ Stable	-	-	-
2.	Term Loan	LT	24.84	IVR BBB/ Stable	-	-	-
3.	Sales Invoice Finance	ST	10.00	IVR A3+	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Limited [previously Infomerics Valuation and Rating Private Limited] (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 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 and definition of ratings please visit www.infomerics.com/

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Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Cash Credit	-	-	-	14.00	IVR BBB/ Stable
Term Loan	-	-	Jan 2030	24.84	IVR BBB/ Stable
Sales Invoice Finance			-	10.00	IVR A3+

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-seetaenergen-feb25.pdf

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

Annexure 4: List of companies considered for consolidated/combined analysis:

Name of the Company	Consolidation Approach
Seeta Energen Private Limited	Full Consolidation
Seeta Global Private Limited	Full Consolidation

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