

Press Release

Ramnik Power & Alloys Pvt. Ltd.

October 16, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (RsCrore)	Rating Assigned
1	Long Term (Fund based)	12.00	IVR BB+ / Stable Outlook ; (IVR Double B Plus with Stable Outlook)
2	Short Term (Non-Fund based)	1.00	IVR A4+ (IVR A Four Plus)
Total		13.00	

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from the growing scale of operations, sound profitability parameters and the favourable capital structure. The rating however is constrained by the modest scale of operations and the customer concentration.

Key Rating Sensitivities:

- **Upward Rating Factor-** Continued growth in scale of operations supported by both the arms - Alloys & power generation in the upcoming years would improve the profitability parameters which may lead to a positive rating action
- **Downward Rating Factor -** Any decrease in company's projected top-line owing to the concentrated customer base or the cost of opportunity of power generation arm would impact company's profitability and may call for a negative rating action.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Growing Operating income

The company recorded high growth in its operating income owing to the continued increase in the silico manganese sale. The total operating income increased from Rs. 47.47 cr. in FY18 to Rs. 54.30 Cr. in FY19. Going forward, once the power generation division of the company recommences its operation, it will bolster the overall operating income even further.

Sound Profitability Parameters

The company's profitability parameters improved with EBITDA margin moving to 16.44% in FY19, up from 12.36% in FY18, whereas the PAT margin saw a marginal decrease from 10.55% in FY18 to 9.89% in FY19 owing to the higher depreciation recorded for the year. The PAT margins are expected to improve going forward.

Favourable capital structure

RPAPL has a favourable capital structure with long term debt to equity ratio of 1.00x and overall gearing ratio of 1.29x in FY19. The figures are expected to improve further as the company does not plan on raising any additional debt in near future as indicated by the company management.

Key Rating Weaknesses

Modest scale of operations in competitive industry

RPAPL is a small-sized player in the Ferro-Alloy industry. Though the company has reported substantial growth in its operations over the last three years, the scale continues to remain moderate in the backdrop of a competitive environment.

Customer concentration

The top two customers accounted for almost 90% of total sales in FY19 with the top customer alone accounting for 68.9%. The Company has a small group of clientele indicating high customer concentration risk for the company.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for Manufacturing companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The Company has high margins and growing GCA on account of increasing scale of operations. The ICR and DSCR are high at 7.75 times and 5.15 times for FY19. The company does not have any large debt repayments in the near future. It is expected to be able to generate sufficient cash flows to meet all its debt obligations in the ensuing 12 month period.

About the company

Ramnik Power & Alloys Pvt. Ltd. (RPAPL), was established in year 2008. The promoters of the company, Mr. Vyomesh R. Trivedi and his family are engaged in the business of manganese ore mining and trading that is carried out under the name of M/s. A.P. Trivedi Sons, based out of Balaghat, Madhya Pradesh. RPAPL was established with the purpose of forward integration for this manganese ore mining & trading business. RPAPL implemented the Manufacturing facility for Ferro (Silico manganese) alloys in May 2009, which produces upto 8000 MT p.a. of saleable ferro (Silico manganese) alloys.

Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (P)
Total Operating Income	47.47	54.3
EBITDA	5.87	8.92
PAT	5.2	5.54
Total Debt	16.62	17.54
Tangible Net worth	8.06	13.61
EBITDA Margin (%)	12.36	16.44
PAT Margin (%)	10.55	9.89
Overall Gearing ratio (x)	2.06	1.29

* Classification as per Infomerics' standards

Details of Non Cooperation with any other CRA: Crisil in its press release published on August 17, 2018 has classified the case under Issuer Not Cooperating status.

Any other information: N.A

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Long Term (TL)	5.50	IVR BB+ /Stable Outlook	--	--	--
Fund Based Facilities	Cash Credit (CC)	6.50		--	--	--

Non Fund Based Facilities	LC	1.00	IVR A4+	--	--	--
	Total	13.00				

* - Rating based on LRD (Lease Rental Discounting) facility

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.

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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. 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

Sr. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Long Term Fund Based (TL)	--	--	--	5.50	IVR BB+ / Stable Outlook
2	Long Term Fund Based (CC)	--	--	--	6.50	
3	Short Term Non Fund Based (LC)	--	--	--	1.00	IVR A4+
Total					13.00	