



Press Release
Sri Raghvendra Ferro Alloys Private Limited
September 19, 2024
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	0.53	ACUITE C Downgraded	-
Bank Loan Ratings	21.47	ACUITE D Downgraded	-
Bank Loan Ratings	23.00	-	ACUITE D Downgraded
Total Outstanding Quantum (Rs. Cr)	45.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB-**' (read as **ACUITE Double B Minus**) and the short-term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 44.47 crore bank facilities of Sri Raghavendra Ferro Alloys Private Limited (SRFAPL).

Acuite has also downgraded its long-term rating to '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE BB-**' (read as **ACUITE Double B Minus**) for the Rs. 0.53 crore proposed bank facilities of Sri Raghavendra Ferro Alloys Private Limited (SRFAPL).

Rational for rating downgrade

The rating downgrade is on account of continuous over utilisation of more than 30 days in cash credit facility of Union Bank of India availed by the company in the month of August 2024.

About the Company

Sri Raghavendra Ferro Alloys Private Limited (SRFAPL) was initially incorporated in the year 2004 by Mr. K Srinivasa Reddy. The company is primarily involved in the business of manufacturing Ferro Alloys and in particular Silico Manganese and Ferro Silicon. The company's registered office is located at Nalgonda, Telangana and has 4 manufacturing plants with a combined annual capacity of around 100,000 tonnes per annum.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SRFAPL to arrive at this rating.

Key Rating Drivers

Strengths

Established track record of operations with experience management

SRFAPL was established in 2004 reflecting a track record of operations for more than 1.5 decades in manufacturing of ferro alloys. The SRFAPL has four manufacturing plants with a combined annual capacity of ~100,000 tonnes per annum. Furthermore, the promoters of the SRFAPL have more than two decades of experience in the afore mentioned industry. The

extensive experience of the promoters has helped the SRFAPL to establish long term relationships with its customers and suppliers. The key customers includes renowned steel plants in the country like Vishakhapatnam Steel Plant, JSW Steel Ltd among others. Acuité believes that the SRFAPL will continue to benefit from established track record of operations with promoter's extensive experience over the medium term.

Moderate Financial Risk Profile

Sri Raghavendra Ferro Alloys Private Limited has a moderate financial risk profile marked by moderate net worth, moderate gearing and moderate debt protection metrics. SRFAPL's net-worth marginally improved and stood at Rs. 53.79 crore in FY2024 (Prov.) against Rs. 53.20 crore as on FY2023 on account of accretion of profits to reserves. SRFAPL's gearing stood at 0.50 times as on March 31, 2024 (Prov.) as well as March 31, 2023. The company's total debt also stood at similar levels as on March 31, 2024 (Prov.) at Rs. 26.72 crore as compared to Rs. 26.61 crores as on March 31, 2023; comprising of long-term debt of Rs. 0.97 crore, short-term debt of Rs. 25.59 crore and Unsecured loans from promoters/directors of Rs. 0.16 crore. TOL/TNW stood at 1.61 times as on March 31, 2024 (Prov.). The interest coverage ratio of the company stood at 2.99 times in FY24 (Prov.) against 2.35 times in FY23. DSCR stood at 2.90 times in FY2024 (Prov.) against 2.35 times in FY2023.

Weaknesses

Highly Intensive working capital operations

Sri Raghavendra Ferro Alloys Private Limited has highly intensive working capital operations with average gross current asset (GCA) days standing over 260 days during FY22 to FY24. GCA days increased to 487 days in FY2024 (Prov.) against 183 days in FY2023. Inventory days stood higher at 302 days in FY2024 (Prov.) against 58 days in FY2023. The debtor days stood at 58 days for FY24(Prov.) against 89 days for FY23. The average credit period allowed to the customers is around 90 days. The creditor days of the company stood at 857 days for FY24 (Prov.) as against 108 days for FY23. The average credit period allowed by the suppliers is around 40-60 days. The average working capital utilization for fund-based limits stood at ~101.34% for the last 12 months ending April 2024.

Instances of overutilisation in cash credit facility

Multiple instances of overutilisation in cash credit facility of the company is noted. In August 2024, the cash credit facility remained over withdrawn continuously for more than 30 days.

Rating Sensitivities

- Improvement in the scale of operations and its profitability margin
- Further elongation in working capital cycle
- Sustenance of the financial risk profile
- Timely servicing of debt obligations

Liquidity Position

Poor

Liquidity is poor due to instances of over withdrawal for more than 30 days in a cash credit facility of Union bank of India availed by the company.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	79.18	184.51
PAT	Rs. Cr.	0.59	1.94
PAT Margin	(%)	0.74	1.05
Total Debt/Tangible Net Worth	Times	0.50	0.50
PBDIT/Interest	Times	2.99	2.35

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Jul 2024	Cash Credit	Long Term	21.00	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB Stable)
	Term Loan	Long Term	5.00	ACUITE BB- (Downgraded & Issuer not co-operating* from ACUITE BB Stable)
	Letter of Credit	Short Term	15.00	ACUITE A4 (Downgraded & Issuer not co-operating* from ACUITE A4+)
	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A4 (Downgraded & Issuer not co-operating* from ACUITE A4+)
10 Apr 2023	Cash Credit	Long Term	21.00	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BB Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	4.00	ACUITE A4+ (Reaffirmed)
12 Dec 2022	Cash Credit	Long Term	22.00	ACUITE BB (Reaffirmed & Issuer not co-operating*)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee/Letter of Guarantee	Short Term	8.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
16 Sep 2021	Bank Guarantee/Letter of Guarantee	Short Term	8.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Cash Credit	Long Term	22.00	ACUITE BB (Downgraded & Issuer not co-operating* from ACUITE BB+ Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE D Downgraded (from ACUITE A4)
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.00	ACUITE D Downgraded (from ACUITE BB-)
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	19.00	ACUITE D Downgraded (from ACUITE A4)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.53	ACUITE C Downgraded (from ACUITE BB-)
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2029	Simple	0.47	ACUITE D Downgraded (from ACUITE BB-)

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About Acuité Ratings & Research

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