

## Press Release

Tirumala Balaji Alloys Private Limited

October 07, 2022



## Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	27.00	ACUITE BBB+   Stable   Upgraded	-
Bank Loan Ratings	3.00	-	ACUITE A2   Upgraded
Total Outstanding Quantum (Rs. Cr)	30.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating to '**ACUITE A2**' (read as **ACUITE A two**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.30.00 Cr bank facilities of Tirumala Balaji Alloys Private Limited (TBAPL). The outlook remains '**Stable**'.

The rating upgrade is driven by sharp increase in the turnover levels of the company and profitability margins translating into doubling of net cash accruals. The increased accruals have helped them to further improve on the leverage ratios. Further, the improvement in the turnover and profitability levels have been sustained in the current fiscal too. The rating continues to derive comfort from the management's long track record in the sector, healthy financial position characterised by negligible debt and robust debt coverage indicators and efficient working capital management.

## About the Company

Incorporated in 2004, Tirumala Balaji Alloys Private Limited is a Raigarh, Chattisgarh based company engaged in the production of high carbon ferro chrome, with an installed capacity of 43000 MTPA. The company is currently headed by Mr. Manish Rungta, Mr. Manoj Kumar Baheti, Ashok Garg and Rajesh Agarwal. The company has an offtake agreement with Tata Steel Mining Limited (TSML) of 43000 MTPA which is valid till March, 2025.

## Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of TBAPL to arrive at the rating.

## Key Rating Drivers

## Strengths

- **Experienced management and relationship with reputed clientele**

TBAPL's board comprises of Mr. Manish Rungta, Mr. Manoj Kumar Baheti, Ashok Garg and Rajesh Agarwal, who have over two decades of experience in manufacturing of ferro alloys. In addition, the company has a long- standing relationship with TSML, a wholly owned subsidiary of Tata Steel Ltd for around 15 years, marked by a long-term agreement with a minimum offtake clause for 43000 MTPA, which provides consistent revenue visibility and mitigates the counter party risk. Acuite believes that the long track record of operations, experienced management, and an offtake agreement with Tata Steel Mining Limited, will continue to support the business, going forward.

- **Strong business risk profile reflected by sharp improvement in the turnover levels of the company and profitability margins**

The revenue of the company stood healthy at Rs 304.51cr in FY2022 as compared to Rs 158.21cr in the previous year. The increase in revenue is attributed to increase in the production capacity on account of increased demand from TSML. The provisional revenue till first five months of FY23 stood at around Rs.105.18 cr.

The operating margin of the company stood healthy at 12.32 per cent in FY2022 as against 9.80 per cent in the previous year. The increase in operating profitability is on account of higher realizations in the open market. Further, majority of the raw materials are provided by TSML with transportation cost covered, which mitigates raw material price fluctuations and procurement risk. Moreover, TSML reimburses the power cost acquired from Jindal Steel and Power Limited. Acuite believes that the operating margin will remain healthy going forward on account of the comfort it derives from the off-take agreement with Tata Steel and Mining Limited.

- **Healthy financial risk profile**

The company's healthy financial risk profile is marked by healthy network, comfortable gearing and robust debt protection metrics. The tangible net worth of the company increased to Rs.73.64 Cr as on 31st March 2022 from Rs.47.61 Cr as on 31st March 2021 due to accretion of profits. The gearing of the company stood comfortable as Debt-to-Equity ratio stood at 0.35 times as on 31 March 2022 as against 0.69 times in the previous year. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.85 times as on 31st March 2022 as compared to 1.59 times in the previous year. The robust debt protection metrics of the company is marked by Interest Coverage Ratio at 20.09 times and Debt Service coverage ratio at 6.16 times as on 31st March 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood at 1.11 times as on 31st March 2022 from 0.43 times in the previous year. Acuite believes that going forward the financial risk profile of the group will be sustained backed by steady accruals and no major debt funded capex plans.

- **Efficient working capital management**

The efficient working capital management of the company is marked by Gross Current Assets (GCA) of 77 days in FY2022 as compared to 123 days in FY2021. The low GCA days are primarily on account of the low inventory days which stood at 12 days as on 31 March 2022. Further, the debtor period also stood comfortable at 39 days as on 31 March 2022 as compared to 74 days in the previous year. Going forward, Acuite believes that the working capital operations of the company will remain at same level as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

## **Weaknesses**

- **Customer concentration risk**

TBAPL is exposed to customer concentration risk as the company is dependent on Tata Steel and Mining Limited (TSML) to drive its revenue profile. Acuite believes that any customer concentration risk exposes the entity to risks related to changes in the requirements and policies of the customer. However, this is mitigated from the agreement entered into with

TSML, which provides adequate revenue visibility over the medium term.

- **Highly fragmented and intensely competitive industry**

The ferro alloys industry is marked by the presence of a large number of organized and unorganized players owing to low entry barriers. The company faces intense competition from the presence of several mid to large sized players in the said industry. The presence of a large number of players has a direct impact on pricing, restricts bargaining power having an adverse impact on margins.

### **Rating Sensitivities**

- Sustainability in revenue growth and significant improvement in profitability margin
- Tie up with reputed clientele
- Elongation in working capital cycle

### **Material covenants**

None.

### **Liquidity Profile: Adequate**

#### **Adequate**

The company's liquidity is adequate marked by high net cash accruals stood at Rs 28.96 Cr as on March 31, 2022 as against long term debt repayment of Rs 3.04 Cr over the same period. The cash and bank balances of the company stood at Rs.10.19 Cr as on March 31, 2022 as compared to Rs.0.24 Cr in the previous year. The fund-based limit remained utilised at about 60% percent over the six months ended June, 2022. The current ratio stood comfortable at 1.68 times as on 31 March 2022 as compared to 1.11 in the previous year. Further, the efficient working capital management of the company is marked by Gross Current Assets (GCA) of 77 days as on March 31, 2022 as compared to 123 days as on March 31, 2021. The company has neither availed loan moratorium nor applied for additional Covid loan. Acuité believes that going forward the liquidity position of the company will improve due to steady cash accruals.

### **Outlook: Stable**

Acuité believes that the outlook on TBAPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, strong business risk profile, healthy financial risk profile and efficient working capital management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects or elongation in its working capital cycle.

### **Other Factors affecting Rating**

None

### **Key Financials**

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	304.51	158.21
PAT	Rs. Cr.	26.03	12.37
PAT Margin	(%)	8.55	7.82
Total Debt/Tangible Net Worth	Times	0.35	0.69
PBDIT/Interest	Times	20.09	24.69

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

None

**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**

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Sep 2021	Working Capital Term Loan	Long Term	3.71	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Assigned)
	Working Capital Demand Loan	Long Term	1.00	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A3+ (Assigned)
	Term Loan	Long Term	12.00	ACUITE BBB   Stable (Assigned)
	Proposed Bank Facility	Long Term	0.29	ACUITE BBB   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A2   Upgraded
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.83	ACUITE BBB+   Stable   Upgraded
State Bank of India	Not Applicable	Term Loan	09-01-2019	8.60	31-03-2026	7.92	ACUITE BBB+   Stable   Upgraded
State Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	0.33	ACUITE BBB+   Stable   Upgraded
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	3.07	ACUITE BBB+   Stable   Upgraded
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.85	ACUITE BBB+   Stable   Upgraded

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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