



Press Release
Tirumala Balaji Alloys Private Limited
January 07, 2025
Rating Reaffirmed

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Total Withdrawn Quantum (Rs.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

Rating Rationale

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

Rationale for rating

The rating reaffirmation takes into account the steady scale of operations albeit reducing operational and profitability margins, healthy network and debt protection metrics, strong liquidity, established relationship with its customers and locational advantage of Tirumala Balaji Alloys Private Limited. The company has a longstanding offtake agreement with Tata Steel Limited (TSL) which provides them good revenue visibility in the medium term. Prices in the open market as well as correction in prices of ferrochrome vis-à-vis raw material prices have resulted in lower realisation per unit for the company in FY2024. Hence, despite higher volumes been sold by TBAPL, it generated lower operating income of Rs. 259.66 crore in FY2024 as compared to Rs.295.30 crore in FY2023. Additionally, profitability margins have decreased to 7.07% in FY2024 compared to 9.57% in FY2023. The liquidity position of the company remains strong with steady cash accruals against matured debt obligations, absence of debt funded capex plans and efficient working capital management. However, these strengths are partially offset by customer concentration risk and cyclical nature of the steel industry. Also, the renewal of the off-take agreement with Tata Steel Limited due in April 2025, will remain a key monitorable.

About the Company

Established in 2004, TBAPL is a company based in Chhattisgarh, led by Mr. Manish Rungta, Mr. Manoj Kumar Baheti, Mr. Ashok Garg, and Mr. Rajesh Agarwal. The company operates a high carbon ferro chrome facility in Raigarh, Chhattisgarh with a total installed capacity of 53,750 MTPA. TBAPL has a 5-year renewable off-take agreement with Tata Steel Mining Limited (TSML), of upto 43,000 MTPA, valid until March 2025, and any surplus production is sold in the open market. Formerly a wholly owned subsidiary of Tata Steel Limited (TSL), TSML has been amalgamated with TSL in September 2023. However, the agreement, which includes an off-take clause, remains unchanged post-amalgamation.

Unsupported Rating
Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Established relationship with reputed corporates and locational advantage

The company maintains a longstanding, decade-plus relationship with its customers. The 43,000 MTPA offtake agreement with TSL ensures stable revenue visibility over the medium term. The raw materials and power costs are reimbursed by TSL. Payment terms with TSL involve a 90 day window after goods receipt. The Company frequently gets these bills discounted by the bank, in case of need of funds. When engaging in open market sales, the company typically secures advances from customers to a week's payment cycle, effectively minimizing collection risks. Additionally, the Company also engages in exports from time-to-time based on opportunities mostly in Middle East and European markets. The company's production facility is situated in the industrial zone of Raigarh, Chhattisgarh, strategically close to multiple steel plants and raw material sources. Additionally, the plant enjoys excellent connectivity through both road and rail transport, ensuring convenient transportation of raw materials and finished goods. Acuité believes that the Company will continue to benefit from the established relationship with its customers and locational advantage over the medium term.

Healthy financial risk profile

The company's financial risk profile is marked by healthy adjusted networth, comfortable gearing and robust debt protection metrics. The adjusted tangible networth of the company stood at Rs. 123.82 Cr. as on March 31, 2024 from Rs. 108.49 Cr. as on March 31, 2023, due to accretion of reserves. The adjusted gearing of the company stood comfortable at 0.10 times as on March 31, 2024. The adjusted Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 0.42 times as on March 31, 2024. The robust debt protection metrics of the company is marked by Interest Coverage Ratio at 20.23 times as on March 31, 2024 and Debt Service Coverage Ratio at 5.09 times as on March 31, 2024. The Net Cash Accruals/Total Debt (NCA/TD) stood at 1.49 times as on March 31, 2024. Going forward, Acuité believes that the financial risk profile of the company will be healthy backed by steady accruals and no major debt funded capex plans.

Efficient working capital management

The working capital management of the company is marked by Gross Current Assets (GCA) of 126 days in FY2024 as compared to 104 days in FY2023. The inventory days stood at 12 days as on 31 March 2024 in line with previous years. Further, the debtor period also stood comfortable at 85 days as on 31 March 2024 as compared to 48 days as on 31 March 2023. The debtor days increased due to changes in payment terms with TSL. As per agreement, now the credit period provided is for 90 days which was 30-45 days in FY2023. For other customers, the sales are made after receipt of advance. Furthermore, the Company also discounts its bills from TSML occasionally. Against this, the company enjoys credit of 60-90 days from its suppliers. Days payable outstanding stood at 107 days in FY2024 against 109 days in FY2023. The trade payables are high on account of Rs.16.90 Cr, which has been outstanding for over three years. This amount arose from overbilling by Jindal Steel and Power Limited (JSPL) in previous years. The Company also utilises its bank limits (at ~59.77% per cent over the six months ended Nov,2024) for funding its working capital requirements. Acuité believes that the working capital operations of the company will remain at similar level as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

Weaknesses

Decline in operating income and margins

TBAL has earned Rs.259.66 crore of revenues in FY2024 as compared to Rs.295.30 crore in FY2023. The operating margins decreased to 7.07% in FY2024 compared to 9.57% in FY2023. This has been mainly due to correction in prices of ferrochrome prices vis-à-vis raw material prices and moderation in prices of products in the market. Hence although higher volumes have been sold the revenues earned are lower. Also, there has been an increase in power costs due to revision of tariffs received by CERC for Jinal Steel and Power. Most of the ferro alloy manufacturers experienced an increase in margins in FY2023 and FY2022, driven by high demand and elevated prices in the international market. The PAT margin stood at 5.90% in FY2024 from 7.19% in FY2023, and ROCE levels declined from 26.94% to 16.72%. Till November 2024(provisional), the company has attained revenues of Rs. 156 Cr.

Customer concentration risk

TBAL is exposed to customer concentration risk as the company is dependent on TSL to drive its revenue profile. In FY2024, due to reduction of open market prices and better realisations from TSL both sales (~66% in FY2024 which was ~42% in FY2023) and volumes (~82% in FY2024 which was ~67% in FY2023) have risen for TSL. Acuité believes that any customer concentration risk exposes the entity to risks related to changes in the requirements and policies of the customer. Timely renewal of the off-take agreement with TSL will remain a key monitorable for TBAL.

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. Acuite believes that the Company will remain exposed to the highly fragmented and intensely competitive steel industry over the medium term.

Rating Sensitivities

Sustainability in revenue growth and significant improvement in profitability margin
Timely renewal of off-take agreement with Tata Steel Limited
Movement in working capital cycle

**Liquidity Position
Strong**

The company's liquidity is strongly marked by steady net cash accruals, absence of any capex plans and moderate working capital requirements. The net cash accruals of the Company stood at Rs. 18.32 Cr. as on March 31, 2024, as against long term debt repayment of Rs.2.47 Cr. over the same period. The current ratio stood comfortable at 1.89 times as on March 31, 2024. The company has invested ~Rs35crores in quoted and unquoted investments in equity, mutual funds, alternative investments fund(AIF) and portfolio management service(PMS), as on 31st March,2024. These investments are mostly free cash flows and are readily available for the company's use.Acuite believes that the liquidity of the company will continue to remain strong backed by steady cash accruals and absence of any major capex plans.

Outlook: Stable**Other Factors affecting Rating
None**

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	259.66	295.30
PAT	Rs. Cr.	15.33	21.24
PAT Margin	(%)	5.90	7.19
Total Debt/Tangible Net Worth	Times	0.10	0.12
PBDIT/Interest	Times	20.23	25.39

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
19 Oct 2023	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Reaffirmed)
	Term Loan	Long Term	6.13	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	10.87	ACUITE BBB+ Stable (Reaffirmed)
07 Oct 2022	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	10.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	7.92	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Working Capital Demand Loan (WCDL)	Long Term	0.33	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Working Capital Term Loan	Long Term	3.07	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Proposed Long Term Bank Facility	Long Term	3.83	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Working Capital Term Loan	Long Term	1.85	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE A2 Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.00	Simple	ACUITE BBB+ Stable Reaffirmed

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Dibyendu Roy Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.