



Press Release
SAURASHTRA FUELS PRIVATE LIMITED
May 10, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	85.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	175.00	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	260.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITÉ BBB-**' (read as **ACUITE Triple B minus**) and short-term rating of '**ACUITÉ A3+**' (read as **ACUITE A Three plus**) on the Rs. 260.00 Cr. bank facilities of Saurashtra Fuels Private Limited (SFPL). The outlook is '**Stable**'.

Rationale for Rating

The rating assigned reflects the established track record and industry experience of the directors of the company in the manufacturing of LAM coke for more than 4 decades. The rating also factors in the Moderate financial risk profile of the company as seen by healthy net worth of Rs 247.40 Cr. and low debt-equity of 0.46 times as on FY2023 along with adequate liquidity position. However, the rating is constrained by moderately intensive working capital operations, Further, it factors in the susceptibility of profitability to fluctuations in raw material prices.

About the Company

Based in Ahmedabad, Saurashtra Fuels Private Limited was incorporated in 1993, copromoted by the Agarwalla and Sinha Groups with the objective of producing quality low ash metallurgical coke from imported coal in Western India with the latest technology. The board of directors of this company are Mr. Kunda Singh, Mr. Dipak Agarwalla , Mr. Navin Kumar Sinha , Mr. Rajesh Manharlal Desai , Mr. Surendra Kumar Sinha, and Mr. Vikash Tolaram Chudiwala. SFPL is India's largest manufacturer of low ash metallurgical coke. With a cumulative production of 14 lakh tons spread over 6 manufacturing facilities.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Saurashtra Fuels Private Limited (SFPL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations-

SFPL is managed by Mr. Kunda Singh, Mr. Dipak Agarwalla , Mr. Navin Kumar Sinha, Mr. Rajesh

Manharlal Desai, Mr. Surendra Kumar Sinha and Mr. Vikash Tolaram Chudiwala and a team of experienced personnel. The directors possess over 40 years of experience in this industry. As

seen by the revenue of Rs. 859.15 crore in FY23 as against Rs.1252.70 crore in FY22. The company marked an exceptional revenue in FY22 on account of pent up demand in the industry. The long-standing experience of the promoter along with established track record of operations has helped the company to establish comfortable relationships with key suppliers and customers. Also, Major customers of SFPL includes companies like Trafigura PTE, Tata Chemicals, Electrotherm etc.

Acuite believes that company shall continue to benefit from its established presence and track record along with a healthy relationship with customers.

Moderate Financial Risk Profile-

The financial risk profile of the company is moderate, marked by healthy net worth, low gearing, and moderate debt protection metrics. The net worth of the company stood at Rs.247.40 crore in FY2023 as compared to Rs 238.27 crore in FY2022. The increase in net worth is majorly due to accretion of profits to the reserves. The gearing of the company has stood low at 0.46 times as 31st March 2023 as compared to 0.30 times as on 31st March 2022. The gearing is expected to remain at similar levels over the medium term on account of absence of any debt funded capex plans and modest incremental working capital requirements. The TOL/TNW of the company stood at 1.52 times as on 31st March 2023 as against from 1.32 times as on 31st March 2022. Further Debt Protection metrics stood moderate with Debt Service Coverage Ratio (DSCR) of the company stood at 2.77 times as on 31st March 2023 as compared to 12.61 times in the previous year. The Interest Coverage Ratio (ICR) stood at 3.67 times as on 31st March 2023 as against 17.69 times as on 31st March 2022.. The Net Cash Accruals to Total Debt (NCA/TD) ratio stood at 0.17 times as on 31st March 2023 as compared to 1.57 times in the previous year.

Acuite expects the financial risk profile of the company may continue to remain moderate, with no major debt funded capex plan in medium term and steady cash accruals.

Weaknesses

Moderately Intensive Working capital management -

The working capital operations of the company are moderately intensive in nature marked by GCA days of 189 days in FY2023 as against 114 days in FY2022. This high GCA days are on account of higher other current assets consisting of receivables from other and advances to suppliers. The debtor's collection period stood at 16 days in FY2023 as against 31 days in FY2022. Generally, the company has a policy of providing credit of 30-45 days to its customers. The inventory days for the company stood at 129 days in FY2023 as against 53 days in FY2022. Also, the creditors days stood at 82 days in FY2023 as against 45 days in FY2022, the company is enjoying the credit period of 90-120 days. Furthermore, the average utilization of working capital for fund-based limits remained moderate, averaging around 85% over the last 6 months ending February 2024.

Acuite believes that working capital operations of SFPL may continue to remain moderately intensive considering the nature of operations.

Susceptibility of profitability to competitive industry and fluctuations in raw material prices –

Coal being a commodity has demonstrated significant volatility in its prices in the past. Imported coal prices are also governed by global demand-supply factors. The coal trading and transport industry is highly fragmented, with a large number of players, due to the low entry barriers. This has restricted the growth in the company's margins in these segments. Also, the industry is highly regulated, with the ministry of coal governing its operations in the country. Any adverse regulations would impact the operations of the company. Furthermore, the business risk profile remains exposed to fluctuations in coal prices and the regulatory policies of the government. Any volatility in the prices of coal has a direct impact on the profitability margins of the company.

Rating Sensitivities

Improvement in scale of operation while improving the profitability margin.

Any elongation in its working capital cycle.
Deterioration in financial risk profile.

Liquidity Position **Adequate**

The company's liquidity position is adequate, with sufficient net cash accruals of Rs.19.18 Cr. in FY2023 as against its maturity debt obligations of Rs.3.02 Cr. in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs. 11.32 – 19.35 crore as against the maturing repayment obligations of around Rs. 3.02 Cr. over the medium term. Further the average bank limit utilization for the past 6 months ending February 2024 is moderate averaging around 85% percent. However, the working capital management of the company is moderately intensive marked by GCA days of 189 days in FY2023 as against 114 days in FY2022. The current ratio stands at 1.77 times as on 31st March 2023 as against 2.14 times as on 31st March 2022.

Acuite believes that liquidity position of the company may continue to remain adequate with steady cash accruals.

Outlook: Stable

Acuite believes the outlook on SFPL will continue to remain 'Stable' over the medium term backed by its long track record of operations, experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the company is able to successfully acquire higher orders which will lead to significant improvement in scale of operations and the profitability margins while also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any operating inefficiency by SFPL leading to deterioration in revenue and profitability along with financial risk profile and liquidity position of the company.

Other Factors affecting Rating None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	859.15	1252.70
PAT	Rs. Cr.	9.13	101.32
PAT Margin	(%)	1.06	8.09
Total Debt/Tangible Net Worth	Times	0.46	0.30
PBDIT/Interest	Times	3.67	17.69

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

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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE BBB- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB- Stable Assigned
Punjab and Sind Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE BBB- Stable Assigned
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB- Stable Assigned
UCO Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BBB- Stable Assigned
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	60.00	ACUITE A3+ Assigned
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.00	ACUITE A3+ Assigned
Punjab and Sind Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	19.00	ACUITE A3+ Assigned
Indian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A3+ Assigned
UCO Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	29.00	ACUITE A3+ Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	18 Feb 2027	Simple	4.12	ACUITE BBB- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	17 Dec 2026	Simple	2.98	ACUITE BBB- Stable Assigned
Punjab and Sind Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Jul 2026	Simple	2.90	ACUITE BBB- Stable Assigned

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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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