

## Shri Girija Smelters Limited

June 11, 2021

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	4.00	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Stable; (Single B Plus; Outlook: Stable)
Short Term Bank Facilities	23.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>27.00</b> <b>(Rs. Twenty-Seven Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated January 03, 2019, placed the ratings of Shri Girija Smelters Limited (SGSL) under the 'issuer non-cooperating' category as SGSL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. SGSL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated March 02, 2021 and March 22, 2021 among others. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.***

The ratings have been revised on account of deterioration in financial performance in FY20 (refers to the period April 01 to March 31) and lack of adequate information leading to uncertainty around its credit risk.

### Detailed description of the key rating drivers

*At the time of last rating on April 16, 2020 the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies):*

#### Key Rating Weaknesses

***Absence of captive source of power:*** Manufacturing of ferro alloys is a power intensive operation and power cost is the second most costly component of SGSL's total cost of production. SGSL does not have any captive power plant. Accordingly, absence of captive source of power has rendered SGSL's operations vulnerable to any revision in electricity tariff rates.

***Exposure to forex fluctuation risk:*** Imported raw material comprised around 44% of total raw material purchased by SGSL during FY17 (around 60% in FY16). The company currently is not having any defined forex risk management policy and accordingly exposed to risks arising on account of forex fluctuations.

***Significant exposure to its group companies:*** SGSL have total exposure of about Rs.31.77 crore in the form of investments in various group companies accounting for about 97.81% of its networth as on March 31, 2017. Moreover, SGSL has also extended corporate guarantee against bank facilities aggregating to of Rs.475 crore to its group company.

***Complete dependence of ferro alloys industry on the cyclical steel sector:*** The demand for ferro alloys is a derived demand and its prospects are closely-linked to the demand emanating from the steel industry which is the major purchaser of ferro alloys. The steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market. The close linkage with the steel industry affects the ferro alloy industry also.

#### Key Rating Strengths

***Rich experience of promoters with long track record of operations:*** Mr. C.S. Raju (Graduate, age 82 years) had extensive experience in the silico-manganese and ferro-manganese segments of about six decades. Mr. Raju started his career as an employee of Facor Alloys Ltd in 1956 and gradually became an entrepreneur. Currently, the day-to-day affairs of the company are looked after by Managing Director, Mr. C.V.S.S.R.R Raju (Son of Late Mr. C.S. Raju) having an experience of more than two

and half decades. SGSL, incorporated in 1987 (commenced commercial operations from April 1996) has a long track record of operations of more than two and half decades.

**Established clientele:** The client profile of the company includes large steel players with whom SGSL has long relationship. However, SGSL enjoys relatively low bargaining power in dealing with these players, which in turn leaves limited scope for the company to expand its margins.

**Deterioration in financial performance in FY20:** The total income of the company stood at Rs.57.97 crore in FY19 and deteriorated to Rs.1.36 crore in FY20 whereas the company reported nil level of operations in FY20. The company incurred loss of Rs.0.81 crore in FY20 as against PAT of Rs.0.39 crore in FY19. The company serviced interest out of collection from receivables.

**Satisfactory capital structure albeit vulnerable debt protection metric:** Overall gearing ratio of the company stood satisfactory at 0.44x as on March 31, 2020 vis-à-vis 0.48x as on March 31, 2019. Total Debt/GCA stood vulnerable at 11.41x as on March 31, 2019 and turned negative in FY20 on account of losses.

**Analytical approach:** Standalone

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch'](#)

[CARE's Policy on Default Recognition](#)

#### About the Company

SGSL, incorporated in 1987, was promoted by Mr C.S. Raju of Raipur (Chhattisgarh). SGSL is involved in the production of Ferro Manganese and Silico Manganese in its manufacturing units located in Urla Industrial Area of Raipur with an installed capacity of 36,000 MT. SGSL is a part of the Shri Girija group of companies, promoted and earlier headed by Mr C.S. Raju. Mr Raju had extensive experience of about six decades in the ferro alloy space. Currently, the day-to-day affairs of the company are looked after by Managing Director, Mr. C.V.S.S.R.R Raju (Son of Late Mr. C.S. Raju) having an experience of more than two and half decades.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	55.40	0.00
PBILDT	-0.44	-1.25
PAT	0.39	-0.81
Overall gearing (times)	0.48	0.44
Interest coverage (times)	-ve	-ve

A: Audited

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not Available

**Rating History for last three years:** Please refer Annexure-2

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	4.00	CARE B-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	21.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Loan Equivalent Risk	-	-	-	1.20	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Credit Exposure Limit	-	-	-	0.80	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	4.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (16-Apr-20)	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (03-Jan-19) 2)CARE BB-; Stable (06-Apr-18)
2.	Non-fund-based - ST-Letter of credit	ST	21.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (16-Apr-20)	-	1)CARE A4; ISSUER NOT COOPERATING* (03-Jan-19) 2)CARE A4 (06-Apr-18)
3.	Non-fund-based - ST-Loan Equivalent Risk	ST	1.20	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (16-Apr-20)	-	1)CARE A4; ISSUER NOT COOPERATING* (03-Jan-19) 2)CARE A4 (06-Apr-18)
4.	Non-fund-based - ST-Credit Exposure Limit	ST	0.80	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (16-Apr-20)	-	1)CARE A4; ISSUER NOT COOPERATING* (03-Jan-19) 2)CARE A4 (06-Apr-18)

\*Issuer did not cooperate; Based on best available information

## Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-Credit Exposure Limit	Simple
3.	Non-fund-based - ST-Letter of credit	Simple
4.	Non-fund-based - ST-Loan Equivalent Risk	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

## Contact us

### Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

### Analyst Contact

Name: Ishan Marda

Tel: 033-4018 1604

Email: [ishan.marda@careratings.com](mailto:ishan.marda@careratings.com)

### Relationship Contact

Name: Lalit Sikaria

Contact no.: 033-4018 1607

Email: [lalit.sikaria@careratings.com](mailto:lalit.sikaria@careratings.com)

### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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