

SRF Altech Limited

December 06, 2024

| Facilities | Amount (₹ crore) | Rating ¹ | Rating Action |
|--|---------------------------------|-----------------------------|---------------|
| Long Term Bank Facilities | 150.00 (Reduced from 365.00) | CARE AA-; Stable | Reaffirmed |
| Long Term / Short Term Bank Facilities | 100.00 | CARE AA-; Stable / CARE A1+ | Assigned |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) reaffirmed its long-term rating and assigned short-term rating on bank facilities of SRF Altech Limited (SAL). Ratings continue to factor in the strong parentage of the company, as it is a wholly-owned subsidiary of SRF Limited (SRF). SAL has been established by SRF to undertake the aluminium foil manufacturing facility in Madhya Pradesh which would be complementary to the parent's existing line of packaging film business (PFB) majorly comprising bi-axially oriented polyethylene terephthalate (BOPET) films and bi-axially oriented polypropylene (BOPP) films. Ratings also factor in the strong managerial and operational support it derives from SRF along with parent's stated position to support subsidiary's debt obligations in the form of a letter of support (LoS) to the lenders of SAL. The company has received significant funding support in the form of equity share capital and unsecured loans to undertake the project and manage operations. This is expected to continue in the future as well.

These strengths are partially offset by moderate demand risk marked by nascent stage of operations wherein scale of operations need to be ramped up profitability amidst intensely competitive aluminium foil business. Accordingly, anti-dumping duty stance of targeted export countries and India will be a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the credit risk profile of the parent company.
- Significant ramp-up in the scale of operations such that SAL meaningfully contributes to the turnover and profit before interest, lease rentals, depreciation and taxation (PBILDT) of the parent.

Negative factors

- Deterioration in the credit profile of the parent.
- Any change in stance on supporting SAL by the parent company.

Analytical approach

Standalone. Ratings factor in strong operational, management and financial linkages with the parent entity (SRF) owing to SAL being a wholly owned subsidiary of SRF and common promoter directors and shared brand name. Furthermore, SRF has provided LoS to the banker of SAL.

Moreover, for analysing SRF, its Consolidated financials are considered, which also incorporates the support to be extended to SAL. The list of subsidiaries is as mentioned in Annexure-6.

Outlook: Stable

The 'stable' outlook reflects that SAL will continue to derive benefit from the operational synergies and financial flexibility of its strong parent while improving its business profile over the medium-term while SAL ramps up its operations with sustained cashflows.

Detailed description of key rating drivers:

Key strengths

Strong parentage, experienced promoter group, and professionally-qualified management

SAL is a wholly-owned subsidiary of SRF, a diversified conglomerate having presence majorly in chemicals business (CB), packaging film business (PFB) and technical textiles business (TTB). SRF has built strong competitive position in majority its area of operations over the years having clocked consolidated net sales of ₹12,910 crore and PBILDT of ₹2,575 crore in FY24 (refers to April 01 to March 31). In H1FY25 (refers to April 01 to September 30), SRF reported net sales of ₹6,888 crore and PBILDT of ₹1,141 crore. Ashish Bharat Ram, the Chairman & Managing Director, and Kartik Bharat Ram, the Joint Managing Director of SRF, both are present on SAL's board, and have extensive industry experience. SRF has appointed separate vertical heads for each of its business segments.

CARE Ratings expects SAL to accrue the benefits of its strong parentage (being 100% held by SRF), experienced promoters and management in ramping-up of operations over the medium term.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Operational and financial support by the parent

SAL has received significant executional support for establishing its aluminium foil manufacturing project as an in-house team of SRF was overseeing the execution. The company commenced its operations in January 2024. Apart from project execution, SRF invested ~₹425 crore in equity share capital of SAL and infused ₹60 crore of unsecured loans till March 31, 2024. SRF has extended letter of support to the term loan advanced to SAL by its lender, thus exhibiting financial support. SRF additionally is expected to infuse funds through preference share capital worth ₹150 crore in the near term.

Considering aluminium foil would be a complementary product to BOPP and BOPET, SAL is leveraging the existing well-established marketing and distribution network of its parent company. Also, its upcoming manufacturing facility in Madhya Pradesh is ~60 km away from the parent's existing facility.

Key weaknesses

Nascent stage of operations

SRF has entered new line of product in PFB segment through aluminium foil manufacturing via SAL. Though having extensive presence in PFB and leveraging its existing clientele, the company is facing headwinds in product off-take, particularly in export markets. Since, the product is new, reaching thinner gauge of aluminium foil as required by export customers is expected to take some time. Currently, most of the sales are in domestic markets, however, from FY26 onwards, higher proportion of revenue is expected to be generated from exports as additional machineries to produce product as required for export customers is expected to be installed before FY25 end.

The global aluminium foil industry is intensely competitive considering ample available production capacity, particularly from China and Southeast Asian nations. Significant dumping has been observed in Indian market by Chinese producers amidst absence of anti-dumping duty. Amidst this, anti-dumping duty stance of Government of India will be a key monitorable. Even in the targeted export markets, the cost competitiveness will depend on continuation of anti-dumping duty by the respective governments.

Regulatory risk - Vulnerability to change in anti-dumping duty stance by targeted export countries

SAL is targeting the US and European markets for its export sales driven primarily by the anti-dumping duty levied by these economies for imports from China. However, moderation in this stance by these economies may lead to competition from Chinese manufacturers and thus increasing cost competition.

Liquidity: Adequate

SAL is a wholly-owned subsidiary of SRF, which has provided letter of support to the lender of SAL on servicing its debt obligations. The liquidity of SAL is adequate as it draws comfort from the liquidity profile of SRF which is strong. The company has term loan obligations of ₹7.5 crore in FY25 and ~₹30 crore in FY26. Majority its term loan obligations are currently expected to be supported by funding support from the parent. The parent company is expected to infuse ₹150 crore of preference share capital in the near term.

Strong liquidity of parent (SRF)

SRF has strong liquidity backed by its robust gross cash accrual (GCA) and cash flow from operations (CFO) against repayment obligation. SRF had generated GCA of ₹2,099 crore in FY24 and is estimated to slightly moderate in FY25 considering headwinds in various business segments. However, SRF's scheduled repayment obligation, ₹1,104 crore (including lease liabilities) in FY25 and ₹761 crore in FY26, are expected to be adequately covered by its CFO. It has healthy cash & cash equivalents (including liquid investments) of ₹805 crore as on March 31, 2024 and ₹612 crore as on September 30, 2024. The parent has comfortable overall gearing and current ratio allowing headroom to raise debt in case required.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|-------------------------|-----------------|--------------------|--------------------|
| Commodities | Metals & mining | Diversified metals | Diversified metals |

About SAL

SAL is a wholly-owned subsidiary of SRF, a diversified chemical conglomerate. SAL has a manufacturing plant for aluminium foil in Jetapur, Madhya Pradesh, with manufacturing capacity of 21,000 metric tonnes per annum.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | H1FY25 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income | 0 | 12 | 117 |
| PBILDT | -3 | -9 | -11 |
| PAT | -4 | -16 | -26 |
| Overall gearing (times) | 202.61 | 0.52 | 0.83 |
| Interest coverage (times) | -1.60 | -1.72 | -1.14 |

A: Audited UA: Unaudited; Note: these are latest available financial results

About the parent (SRF)

Incorporated in 1966, SRF has grown from being a single unit tyre cord manufacturer into a leading, professionally managed, and diversified chemical conglomerate. Their products are used in varied applications and segments from tyres to air conditioners, mines to cricket grounds, automotive to household appliances, and food packaging to raw materials for pharmaceuticals. The company is currently in chemical business (CB), packaging films business (PFB), and technical textiles business (TTB) business segments.

| Brief Financials (₹ crore) - Consolidated | March 31, 2023 (A) | March 31, 2024 (A) | H1FY25 (UA)* |
|---|--------------------|--------------------|--------------|
| Total operating income | 14,838 | 13,125 | 6,888 |
| PBILDT | 3,501 | 2,575 | 1,141 |
| PAT | 2,162 | 1,336 | 454 |
| Overall gearing (times) | 0.50 | 0.49 | 0.44 |
| Interest coverage (times) | 17.09 | 8.52 | 6.00 |

A: Audited UA: Unaudited; Note: these are latest available financial results

#Bifurcation of lines items is not available for H1FY25, as only abridged financials are published. Hence, certain figures may not be like to like against FY23 and FY24 financials.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Fund-based - LT-Term loan | - | - | - | 31-12-2028 | 150.00 | CARE AA-; Stable |
| Fund-based - LT/ ST- Working capital limits | - | - | - | - | 100.00 | CARE AA-; Stable / CARE A1+ |

Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|---|-----------------|------------------------------|-----------------------------|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Fund-based - LT-Term loan | LT | 150.00 | CARE AA-; Stable | - | 1) CARE AA-; Stable (19-Dec-23) | 1) CARE AA-; Stable (02-Dec-22) | - |
| 2 | Fund-based - LT/ST-Working capital limits | LT/ST | 100.00 | CARE AA-; Stable / CARE A1+ | | | | |

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

| Name of the Instrument | Detailed Explanation |
|---|----------------------|
| A. Non-financial covenants – IndusInd Bank Ltd | |

External rating

Rating downgrade below A- shall be an Event of Default. On the occurrence of any event of default, the lender will have the right, without any obligation to do so, demand prepayment of facility and/or enforce security and/or right to change the terms and conditions for this facility, including demand for additional security, increase pricing, etc.

Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|---|------------------|
| 1 | Fund-based - LT-Term loan | Simple |
| 2 | Fund-based - LT/ST-Working capital limits | Simple |

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

| Sr No | Name of the entity | Extent of consolidation | Rationale for consolidation |
|-------|--|-------------------------|-----------------------------------|
| 1. | SRF Holiday Home Limited | Full | Wholly-owned subsidiary |
| 2. | SRF Altech Limited | Full | Wholly-owned subsidiary |
| 3. | SRF Employees Welfare Trust (Controlled Trust) | Full | By virtue of management control |
| 4. | SRF Global BV – Netherlands | Full | Wholly-owned subsidiary |
| 5. | SRF Europe Kft | Full | Wholly-owned step-down subsidiary |
| 6. | SRF Industries (Thailand) Limited | Full | Wholly-owned step-down subsidiary |
| 7. | SRF Industex Belting (Pty) Limited | Full | Wholly-owned step-down subsidiary |
| 8. | SRF Flexipak (South Africa) (Pty) Limited | Full | Wholly-owned step-down subsidiary |

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

| Media Contact | Analytical Contacts |
|---|---|
| Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in | Sabyasachi Majumdar Senior Director CARE Ratings Limited Phone: +91-120-445-2006 E-mail: Sabyasachi.majumdar@careedge.in |
| Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in | Ravleen Sethi Director CARE Ratings Limited Phone: 91-120-4452016 E-mail: ravleen.sethi@careedge.in Bhawna Rustagi Assistant Director CARE Ratings Limited Phone: 91-120-4452045 E-mail: Bhawna.Rustagi@careedge.in |
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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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