

January 12, 2016

CARE ASSIGNS 'CARE B+' AND CARE A4' RATING TO THE BANK FACILITIES OF SHRI GIRIJA SMELTERS LIMITED

Ratings

| Facilities | Amount (Rs. crore) | Ratings ¹ | Remarks |
|----------------------------|---------------------------------------|-------------------------------------|-----------------|
| Long-term Bank Facilities | 4 | CARE B + (Single B Plus) | Assigned |
| Short-term Bank Facilities | 6 | CARE A4 (A four) | Assigned |
| Total | 10 (Rupees Ten crore only) | | |

Rating Rationale

The ratings assigned to the bank facilities of Shri Girija Smelters Ltd (SGSL) are primarily constrained by its weak financial risk profile marked by cash losses in FY14 and FY15 (refers to the period April 1 to March 31), absence of captive source of power, lack of backward integration for raw materials, low capacity utilisation, exposure to forex fluctuation risk and significant exposure to its group companies. Such ratings, however, derive strength from its long track record of operations along with rich experience of the promoters and established clientele.

The ability of the company to improve its operating performance and liquidity position while effectively manage its working capital and capital structure would remain the key rating sensitivities.

Background

SGSL was incorporated by Mr C.S. Raju of Raipur (Chhattisgarh) in December 1987. SGSL is involved in the production of Ferro Manganese and Silico Mangasene in its manufacturing units located in Urla Industrial Area of Raipur. Currently, the company has total installed capacity of 36,000 MT at its two manufacturing units located at Chhattisgarh. SGSL is a part of the Shri Girija group of companies, promoted and headed by Mr. C.S. Raju. Mr Raju has extensive experience of about six decades in the ferro alloy space. Other companies of Shri Girija group are Shri Girija Power & Alloy Pvt Ltd (SGPAPL), Shri Gayatri Minerals Pvt Ltd (SGMPL) and Srinivasa Ferro Alloys Ltd (SFAL).

On a total operating income of Rs.91.67 crore, SGSL posted net loss of Rs.1.47 crore in FY15 vis-à-vis total operating income of Rs.130.89 crore and net loss of Rs.3.70 crore in FY14. Furthermore, SIPL earned a total operating income of about Rs.39.08 crore till H1FY16.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications



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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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