

Shri Girija Smelters Limited

January 12, 2016

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	4	CARE B+; Stable (Single B Plus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	23	CARE A4 (A Four)	Reaffirmed
Total Facilities	27 (Rupees Twenty Seven crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The ratings assigned to the bank facilities of Shri Girija Smelters Limited (SGSL) continue to be constrained by its weak financial risk profile marked by deteriorated financial performance in FY16 (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, significant exposure to its group companies and complete dependence of ferro alloys industry on the cyclical steel sector. Such ratings, however, derive strength from rich experience of its promoters with long track record of the company, established clientele and satisfactory capital structure.

The ability of the company to improve its scale of operations with improvement in profitability, sustain the capital structure and effective management of working capital would remain the key rating sensitivities.

Detailed description of the key rating drivers

The financial performance of SGSL deteriorated further in FY16 and the company continued to post operating loss, net loss and cash loss in FY16. However, the capital structure of the company continued to remain satisfactory as on March 31, 2016, with the overall gearing ratio at 0.89x as on March 31, 2016.

The effective capacity utilisation continued to remain low at 51% in FY16. The company does not have any captive source for its major raw material i.e. Manganese ore and captive power arrangements to meet its power requirements and accordingly is vulnerable to volatility in the raw material prices and any revision in electricity tariff rates.

The company is also exposed to foreign exchange fluctuation risks due to high dependency on imported raw-material and no fixed hedging policy.

SGSL has significant exposure to its group/associate companies in view of its investments, unsecured loans/advances extended and extended corporate guarantee.

SGSL's promoters have more about six decades of experience in the silico-manganese and ferro-manganese segments. The client profile of the company includes large steel players with whom SGSL has relationship since long.

Analytical approach: Standalone

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

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

[CARE's methodology for Short-term Instruments](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

SGSL, incorporated in 1987, is 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 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 Private Limited (SGPAPL), Shri Gayatri Minerals Private Limited (SGMPL) and Srinivasa Ferro Alloys Limited (SFAL).

In FY16, SGSL reported net loss of Rs.7.78 crore (net loss of Rs.1.80 crore in FY15) on operating income of Rs.83.26 crore (Rs.90.98 crore in FY15). During H1FY17 (Provisional) (refers to the period April 1 to September 30), SGSL reported a PBT of Rs.1.10 crore on a total operating income of Rs.33.41 crore.

Status of non-cooperation with previous CRA:

CRISIL has suspended its ratings on the bank facilities of Shri Girija Smelters Ltd (SGSL) vide its press release dated December 17, 2015 on account of non-cooperation by SGSL with CRISIL's efforts to undertake a review of the ratings outstanding.

Any other information: Not Applicable

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

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

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
Non-fund-based - ST-Letter of credit	-	-	-	21.00	CARE A4
Non-fund-based - ST-Loan Equivalent Risk	-	-	-	1.20	CARE A4
Non-fund-based - ST-Credit Exposure Limit	-	-	-	0.80	CARE A4

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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT- Cash Credit	LT	4.00	CARE B+; Stable	-	1)CARE B+ (03-02-2016) 2)CARE B+ (12-01-2016)	-	-
2.	Non-fund-based - ST-Letter of credit	ST	21.00	CARE A4	-	1)CARE A4 (03-02-2016) 2)CARE A4 (12-01-2016)	-	-
3.	Non-fund-based - ST-Loan Equivalent Risk	ST	1.20	CARE A4	-	1)CARE A4 (03-02-2016)	-	-
4.	Non-fund-based - ST-Credit Exposure Limit	ST	0.80	CARE A4	-	1)CARE A4 (03-02-2016)	-	-

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