

## Shri Girija Smelters Limited

April 16, 2020

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	4.00	CARE B+; Stable ISSUER NOT COOPERATING* (Single B Plus; Stable ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING (Double B Minus; Outlook: Stable; Issuer Not Cooperating) on the basis of best available information.
Short term Bank Facilities	23.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on Best available information
<b>Total</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, continued the ratings of Shri Girija Smelters Ltd. (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 request for submission of information through e-mail dated March 24, 2020. 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 revision in ratings assigned to the bank facilities of Shri Girija Smelters Limited (SGSL) is due to lack of adequate information and hence the uncertainty around its credit risk.

### Detailed description of the key rating drivers

*At the time of last rating on January 03, 2019 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

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

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

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.

**Moderate financial performance in FY18:** The total operating income of the company improved 58% y-o-y to Rs.119.77 crore in FY18. However PBILDT margin deteriorated from 9.68% in FY17 to 4.47% in FY18 leading to decline in interest coverage from 2.11x in FY17 to 1.46x in FY18. The company reported GCA of Rs.2.33 crore in FY18.

**Satisfactory capital structure:** Overall gearing ratio of the company (excluding current portion of long term debt) stood stable at 0.78x as on March 31, 2018 vis-à-vis 0.74x as on March 31, 2017. Total Debt/GCA (excluding current portion of long term debt) deteriorated to 11.41x as on March 31, 2018 vis-à-vis 6.61x as on March 31, 2017 mainly due to decline in GCA with stable level of debt as on March 31, 2018.

**Analytical approach:** Standalone

#### Applicable Criteria

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

[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, 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)	FY17 (A)	FY18 (A)
Total operating income	75.94	119.77
PBILDT	7.35	5.36
PAT	2.13	1.41
Overall gearing (times)*	0.74	0.78
Interest coverage (times)	2.11	1.46

A: Audited; \*excluding current portion of long term debt

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**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* Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	21.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Loan Equivalent Risk	-	-	-	1.20	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Credit Exposure Limit	-	-	-	0.80	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

\*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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	4.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (03-Jan-19) 2)CARE BB-; Stable (06-Apr-18)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (27-Feb-18)
2.	Non-fund-based ST-Letter of credit	ST	21.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (03-Jan-19) 2)CARE A4 (06-Apr-18)	1)CARE A4; ISSUER NOT COOPERATING* (27-Feb-18)
3.	Non-fund-based ST-Loan Equivalent Risk	ST	1.20	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (03-Jan-19) 2)CARE A4 (06-Apr-18)	1)CARE A4; ISSUER NOT COOPERATING* (27-Feb-18)
4.	Non-fund-based ST-Credit Exposure Limit	ST	0.80	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A4; ISSUER NOT COOPERATING* (03-Jan-19) 2)CARE A4 (06-Apr-18)	1)CARE A4; ISSUER NOT COOPERATING* (27-Feb-18)

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

**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.

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#### 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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