



Press Release

Cosmic CRF Limited

September 10, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	75.00 (includes proposed cash credit of 31.67)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	-	Assigned	Simple
Total	75.00 (INR Seventy Five Crore Only)				

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The long-term rating assigned to the bank facilities of Cosmic CRF Limited (CCRFL) derives strength from the experienced promoters, significant improvement in financial performance in FY24 (refers to the period April 01, 2023 to March 31, 2024), comfortable capital structure with satisfactory gearing and debt protection metrics, and healthy order book position reflecting revenue visibility. These rating strengths are partially constrained by the susceptibility to fluctuations in raw material prices, relatively small scale of current operations, and geographical concentration risk.

Rating Sensitivities

Upward Factors

- Significant growth in scale of operations with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.



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- Improvement in the capital structure leading to improvement in the debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and/or moderation in overall gearing.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

Cosmic CRF Limited (CCRFL) is promoted by Mr. Aditya Vikram Birla, Mrs. Purvi Birla, Mr. Pawan Kumar Tibrewalla, Mr. Ashok Barnwal & Mr. Binod Kumar Khaitan. All of them are very experienced in the cold rolled formed steels sector and have experienced upcycles and downcycles connected with the steel industry. While they are actively involved in the strategic operations of the Company, they are also well supported by a team of experienced professionals, who look after the day-to-day operations. Overall, the Company is in good hands.

Significant improvement in financial performance in FY24

The financial performance of the company improved significantly in FY24 compared to FY23. Total Operating Income of the company increased by ~109% YoY from INR121.49 crore in FY23 (refers to the period April 01, 2022 to March 31, 2023) to INR253.48 crore in FY24, primarily because of increase in orders received towards the end of FY23. The EBITDA in absolute term increased by a comparatively low rate of ~85% YoY from INR12.14 crore in FY23 to INR22.45 crore in FY24, primarily because of the fact that operating costs in FY24 increased at a disproportionate rate compared to FY23. PAT jumped at ~99% YoY from INR6.41 crore in FY23 to INR12.75 crore in FY24 because of less than proportionate increase in depreciation and interest charges compared to the increase in EBITDA. Accordingly, the gross cash accruals of the company increased from INR7.59 crore in FY23 to INR15.50 crore



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in FY24. The operating margin decreased from 9.99% in FY23 to 8.86% in FY24 because of the reason pointed out earlier. The PAT margin also decreased from 5.28% in FY23 to 5.03% in FY24 because of the reason pointed out earlier.

Comfortable capital structure with satisfactory gearing and debt protection metrics

The capital structure of the company stood comfortable with its satisfactory net worth base supported by its moderate reliance on external debt. The overall gearing of the company improved from 3.20x as on March 31, 2023, to 0.12x as on March 31, 2024 on account of proceeds from IPO and private placement along with the repayment of unsecured loans. The company was listed successfully on June 30, 2023. The total indebtedness of the company as marked by TOL/TNW also improved significantly from 5.04x on March 31, 2023 to 0.30x on March 31, 2024. Interest coverage ratio improved from 4.67x in FY23 to 6.73x in FY24. DSCR dropped from 3.92x in FY23 to 2.49x in FY24 while still remaining comfortable.

Healthy order book position reflecting revenue visibility

CCRFL's unexecuted order book stood at ~INR531 crore as on June 30, 2024. These orders should get executed by FY26. The unexecuted order book is 2.09x FY24 revenue, and thus there is adequate revenue visibility.

Key Rating Weaknesses

Susceptibility to fluctuations in raw material prices

Steel is the major raw material used in manufacturing the finished goods of CCRFL and steel prices have a tendency to exhibit a lot of volatility depending on economic cycles. Hence, the margins of the company are susceptible to fluctuations in steel prices. However, to mitigate the risk, agreements with customers include price escalation clauses to periodically adjust the selling prices based on movements in raw material rates; however, there is a lag in implementing the price changes.

Relatively small scale of current operations

Although the Total Operating Income of CCRFL improved significantly from INR121.49 crore in FY23 to INR253.48 crore in FY24, it continued to remain small. Relatively small scale of



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operations restricts the financial flexibility of CCRFL and hinders the benefits of economies of scale.

Geographical concentration risk

The major portion of the company's revenues and the current order book are concentrated in West Bengal. Though the company is executing orders in other states as well, the proportion of the same in the revenue and order book remains low, exposing CCRFL to high geographical concentration risk.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for manufacturing companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on Default Recognition and Post -Default Curing Period](#)

Liquidity – Adequate

The company had a very comfortable current ratio of 4.21x as on March 31, 2024. Current ratio is expected to remain between 1.34x and 1.75x during March 31, 2025 to March 31, 2027. The GCAs of each of the years between FY25 and FY27 are expected to cover the debt repayments due in the respective years. The Operating Cycle was 36 days in FY24. The average fund based working capital utilisation was moderate at ~76% between April 2024 and July 2024. Cash and FD balance as on 31.03.2024 was INR64.35 crore.

About the Company

Cosmic CRF Limited (CCRFL) was incorporated on 21st December 2021. The company acquired a running a Cold Rolled Forming (CRF) Unit in Singur , Dist Hooghly , WB from Cosmic Ferro Alloys Limited in terms of a Business Transfer Agreement dated 19/01/2022.

CCRFL manufactures cold rolled forming sheet products used in Railway Wagons. The product profile mainly includes flap doors and centre seal . The company's major customers



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are Titagarh Wagons, Hindustan Engineering and Industries Limited & Texmaco Rail & Engineering Limited. The company also produces Sheet Piles used in infrastructure projects.

Financials (Standalone):

(Rs. crore)

For the year ended* / As on	31.03.2023	31.03.2024
	Audited	Audited
Total Operating Income	121.49	253.48
EBIDTA	12.14	22.45
PAT	6.41	12.75
Total Debt	36.41	19.34
Tangible Net Worth (Adjusted)	11.39	161.86
EBDITA Margin (%)	9.99	8.86
PAT Margin (%)	5.28	5.03
Overall Gearing Ratio (Adjusted) (x)	3.20	0.12
Interest Coverage Ratio	4.67	6.73

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					-	-	-
1.	Term Loan	Long Term	13.33	IVR BBB/ Stable	-	-	-
2.	Cash Credit	Long Term	30.00*	IVR BBB/ Stable	-	-	-
3.	Proposed Cash Credit	Long Term	31.67	IVR BBB/ Stable	-	-	-

*BG and LC of INR 5.00 crore each are sublimits of CC



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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	Sep 2027	1.96	IVR BBB/ Stable
Cash Credit	-	-	-	30.00*	IVR BBB/ Stable
Proposed Cash Credit	-	-	-	31.67	IVR BBB/ Stable

**BG and LC of INR 5.00 crore each are sublimits of CC*

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-CosmicCRF-sep24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/combined analysis: NA

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.