Press Release

Ramnik Power & Alloys Private Limited

October 15, 2020

Rating

Instrument/Facilities	Amount (INR Crore)	Ratings	Rating Action
Long Term Facilities – Cash Credit	7.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Revised
Long Term Facilities – Term Loans(Outstanding)	0.20	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Revised
Long Term Facility – UGECL(Union Guaranteed Emergency Line)	1.65	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Revised
Long Term Facility - CECL(Covid Emergency Line of Credit)	0.65	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Revised
Short Term Non-Fund Based Facility – Inland Letter of Credit	3.00	IVR A3 (IVR Single A Three)	Revised
Total	**12.50 (Rupees Twelve Crore Fifty Thousand)**		

Details of facilities are in Annexure 1

Rating Rationale

The revision in the ratings of Ramnik Power & Alloys Private Limited continues to derive comfort from its growing scale of operations, healthy capital structure and comfortable debt protection metrics and continuous support by infusing unsecured loans & subsequent conversion into equity. The ratings are however constrained by modest scale of operations in competitive industry and susceptible to performance of end-user industry and cyclical demand in ferroalloy industry.

Key Rating Sensitivities:

Upward Rating Factor:

- Sustenance of healthy topline along with sustenance of EBIDTA margins at existing 11-12% leading to healthy cash accruals.

Downward Rating Factor:

- Adverse demand scenario in the ferro-alloy industry leading to lower than expected topline and profitability dipping to around 7% leading to lower than expected cash accruals.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Growing Scale of Operations

The company recorded high growth in its operating income owing to the continued increase in the sales volume as well as sales value. The total operating income increased from Rs. 54.26 cr. in FY19 to Rs. 88.83 Cr. in FY20 driven by 48% increase in sales volume and 11% increase in sales value of silico manganese.

Healthy capital structure and comfortable debt protection metrics

The total outside liabilities to Tangible Networth (including Quasi Equity) improved to 0.42x in FY2020 as against 0.80x in FY2019 on account of increase in the tangible networth to Rs. 35.83 crores as compared to Rs. 22.43 crores in FY2019. The overall gearing ratio improved to 0.26x in FY2020 from 0.44x in FY2019. Further, the debt protection metrics of the company remained comfortable with interest coverage ratio at 6.91x in FY2020

Continuous support by infusing unsecured loans & subsequent conversion into equity

The promoter has been able to pump in equity and/or unsecured loans and gradually unsecured loans is converted into equity in a phased wise manner. During FY2020, the promoters infused additional equity capital to the tune of Rs. 16 crores, thus increasing the paid up capital to Rs. 39.89 crores in FY2020 from Rs. 23.89 crores in FY2019.

Key Rating Weaknesses

***Modest scale of operations in competitive industry*:**

RPAPL is a small-sized player in the Ferro-Alloy industry. Though the company has reported substantial growth in its operations over the last three years, the scale continues to remain moderate in the competitive industry.

***Susceptible to performance of end-user industry and cyclical demand in ferroalloy industry*:**

Ferroalloys are intermediates for the steel industry. Hence, the prospects for the ferroalloy industry are linked to the overall fortunes of the steel industry, which is inherently cyclical, as indicated by a downswing during fiscals 2009 and 2016, resulting in a sharp fall in the demand and prices of ferroalloys. Subsequently also the realisation for ferro-alloys has been driven by the performance of steel sector. Hence, RPAPL's performance shall continue to remain susceptible to the performance of the steel industry.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for Manufacturing Companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The company's liquidity is adequate as reflected in its Gross Cash Accruals (GCA) which stood at Rs. 9.96 crores in FY2020 (Prov.) as against the current portion of long term debt of Rs. 0.85 crores falling due over the next 12 months. The current ratio stood comfortable at 2.35x in FY2020 (Prov.).

Details of free cash and cash equivalents (FY20)

Particulars	**Amt.(INR crore)**
Free FDRs (not pledged/lien marked)	-
Mutual Funds	-
Cash & Bank Balance	0.20
Total	**0.20**

About the company

Ramnik Power & Alloys Pvt. Ltd. has a manufacturing facility of ferro alloys, particularly Silico Manganese that commenced its operations in May 2009. The firm was established for the purpose of forward integration of Mr. Trivedi's manganese ore mining & trading business that is being currently done under the name of M/s. A.P. Trivedi Sons. Mr. Vyomesh R. Trivedi is the driving force behind Ramnik Power & Alloys and A.P. Trivedi Sons.

Financials (Standalone)

INR in Crore

For the year ended / As on	31-Mar-19 (A)	31-Mar-20 (P)
Total Operating Income	54.26	88.83
EBITDA	8.21	10.00
PAT	5.34	6.44
Total Debt	9.97	9.25
Tangible Net Worth	13.39	35.83
EBIDTA Margin (%)	15.13	11.25
PAT Margin (%)	9.63	7.14
Overall Gearing ratio (x)	0.44	0.26

* *Classification as per Infomerics' standards*

Details of Non Co-operation with any other CRA: India Ratings in its press release published on October 24, 2019 has classified the case under “Issuer Not Cooperating” status as the agency does not have adequate information to review the ratings.

Any other information: N.A.

Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2020-21)			Rating History for the past 3 years		
	Type	Amount outstanding (INR Crore)	Rating	Rating assigned in 2019-20 (October 16, 2019)	Rating assigned in 2018-19	Rating assigned in 2017-18
Cash Credit	Long Term	7.00	IVR BBB-	IVR BB+	--	--
Term Loans (Outstanding)	Long Term	0.20	IVR BBB-	IVR BB+	--	--
UGECL (Union Guaranteed Emergency Line)	Long Term	1.65	IVR BBB-	IVR BB+	--	--
CECL	Long Term	0.65	IVR BBB-	IVR BB+	--	--

(CovidEmergency Line of Credit)						
Inland Letter of Credit	Short Term Non-Fund Based	3.00	IVR A3	IVR A4+	--	--
	Total	**12.50**				

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Long Term Facilities – Cash Credit	--	EBLR+1.50%	Revolving	7.00	IVR BBB-
2	Long Term Facilities – Term Loans(Outstanding)	--	EBLR+4.00%	October 2020	0.20	IVR BBB-
3	Long Term Facility – UGECL(Union Guaranteed Emergency Line)	--	7.50	FY22	1.65	IVR BBB-
4	Long Term Facility - CECL(Covid Emergency Line of Credit)	--	8.00	FY22	0.65	IVR BBB-
5	Short Term Non-Fund Based Facility – Inland Letter of Credit	--	--	--	3.00	IVR A3
Total					**12.50**	