

March 31, 2025

Gajanan Ferro Pvt Ltd: Ratings upgraded to [ICRA]BBB+(Stable)/[ICRA]A2 from [ICRA]BBB(Stable) / [ICRA]A3+

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Term loan	15.00	15.00	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB (Stable)
Long term - Cash credit	51.00	51.00	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB (Stable)
Short term - Non-fund based - Bank guarantee	25.00	25.00	[ICRA]A2; upgraded from [ICRA]A3+
Long term - Unallocated limits	9.00	9.00	[ICRA]BBB+(Stable); upgraded from [ICRA]BBB (Stable)
Total	100.00	100.00	

*Instrument details are provided in Annexure-I

Rationale

The rating upgrade considers a change in the rating approach of Gajanan Ferro Pvt Ltd (GFPL) owing to a change in its ownership structure after Berry Alloys Limited {BAL; rated at [ICRA]A(stable)/[ICRA]A1} increased its stake in the company to a majority 54.34% in February 2025. Consequently, the credit profile of GFPL has improved owing to its association with a stronger parent and expectations of GFPL receiving significant operational, financial and management support from BAL.

The ratings factor in the considerable experience of the promoters in the ferro alloy industry and the significant improvement in the operating profile of the entity, post its association with the BAL Group since FY2022. The operational capacity of the plant was enhanced to 25 MVA from 10 MVA in FY2023, which led to a significant increase in the sales volume during FY2023 to FY2025 compared to the earlier period. While the financial performance remained healthy in FY2024 with a revenue of Rs. 366 crore and operating margin of ~12.7%, the earnings were impacted in the current fiscal owing to a large order execution of ferro silicon for a PSU client, the prices of which remained non-remunerative, thus impacting the margins during 9M FY2025. However, the order has been completed and the performance has improved February 2025 onwards. Consequently, the margins are expected to improve in FY2026, thus supporting the debt coverage indicators as well.

ICRA also notes the ongoing capital expenditure (capex) under GFPL, which is strategically important for the Group. The capex involves setting up a 1,000 tonnes-per-day (TPD) sponge iron unit, a 21-MVA ferro alloy unit, a 33-MW waste-heat recovery-based (WHRB) power plant and a 12-MW circulating fluidised bed combustion (CFBC)-based power plant. The total project cost is expected to be around Rs. 419 crore, to be funded in a debt:equity mix of 1.47:1. The financial closure has not yet been achieved, and the company is currently in discussion with the lenders. GFPL is likely to commence the operations in phases and the entire facility is expected to start operations in FY2027. A timely commissioning of the entire project without any cost overrun and stabilisation of the units would be key from a rating perspective. Also, the leverage (TD/OPBDITA) is expected to increase in the interim because of the debt-funded nature of the capex. Once commissioned, the project is expected to result in significant cost savings for the entire operation owing to the WHRB power plant, which is likely to improve the overall cost structure of the entity.

The ratings, however, also take into consideration the working capital-intensive operation, reflected in a high working capital intensity of ~23% in 11M FY2025. While the company supplies primarily to reputed PSU clients, the high credit period offered stretches its receivable position. In addition, the non-integrated nature of operation exposes GFPL to the risk of raw material price fluctuation as well as changes in power tariff, given the high requirement of power in the manufacturing process. Once

the project is commissioned, the power cost would reduce significantly. The company is also exposed to the cyclical nature of the ferro alloy industry with complete dependence on the steel sector.

The Stable outlook on the long-term rating reflects ICRA's opinion that GFPL is likely to witness a sustained revenue growth and an optimum utilisation of its production capacities. The financial performance is likely to improve in FY2026, and a timely commissioning of the project will significantly strengthen the operating profile of the entity.

Key rating drivers and their description

Credit strengths

Status of being a subsidiary of Berro Alloys Limited; operational and financial support from parent - The BAL Group had first purchased an 18.48% stake in the company in FY2022. In February 2025, the Group increased its stake in GFPL to 54.34%, making it a subsidiary of BAL. Consequently, the credit profile of GFPL has improved owing to its association with a stronger parent along with expectations that it would receive significant operational, financial and management support from the parent firm. BAL is expected to provide financial support in the form of unsecured loans to fund the entire equity contribution required in the ongoing expansion project.

Backward-integration project to support operating profile, once commissioned- The ongoing project expansion will result in significant cost savings through the WHRB power plant. Once commissioned, the power expenses of the entity are expected to drop significantly, which is likely to improve the overall margins.

Credit challenges

Moderation in performance in FY2025 owing to non-remunerative orders - While the financial performance remained healthy in FY2024 with a revenue of Rs. 366 crore and operating margin of ~12.7%, the earnings were impacted in the current fiscal owing to a large order execution of ferro silicon for a PSU client, the prices of which remained non-remunerative. The operating margin dropped to 4.1% in 11M FY2025. However, the order has been completed and the performance has improved from February 2025. Consequently, the margins are expected to improve in FY2026, thus supporting the debt coverage indicators as well.

Exposed to project execution risk - The company is undertaking a project to set up of 1,000-TPD sponge iron plant, a 21-MVA ferro alloy unit, a 33-MW WHRB power plant and a 12-MW CFBC-based power plant. The total project cost is expected to be around Rs. 419 crore, to be funded in a debt:equity mix of 1.47:1. The financial closure has not yet been achieved, and the company is currently in discussion with the lenders. It is likely to commence the operations in phases and the entire facility is expected to start operations in FY2027. A timely commissioning of the plant without any cost overrun and its stabilisation would be a key credit monitorable. Also, the leverage (TD/OPBDITA) is expected to increase in the interim owing to the debt-funded nature of the capex. Once commissioned, the WHRB power plant is expected to result in significant cost savings for the entire operation, thereby improving the overall cost structure as well.

Working capital-intensive operations - GFPL's working capital intensity remained high at over ~23% in 11M FY2025. While the company supplies primarily to reputed PSU clients, the high credit period offered stretches its receivable position. It also exposes the entity to significant client concentration risk.

Non-integrated operations expose entity to volatility in raw material and product prices - Raw materials are a major cost for ferro-alloy producers like GFPL, contributing ~40% to the total cost. The main raw materials procured from outside include manganese ore, coal, coke and charcoal, which have exhibited sharp volatility in the past. GFPL's profit margins remain vulnerable to the fluctuations in ferro alloys prices as well as that of raw materials, given the lack of backward integration. In addition, the ferro alloy manufacturing process is highly energy-intensive, accounting for ~30% of the total cost. Once the project is commissioned, the power cost would reduce significantly.

Liquidity position: Adequate

The company's liquidity position is likely to remain adequate, despite a moderation in the cash flow from operation in FY2025. The cash flow from operations is expected to improve in the next fiscal and the scheduled debt repayment is also likely to remain moderate in FY2025 and FY2026. The entity is executing a large capex worth Rs. 420 crore, which would be funded by unsecured loans of Rs. 140 crore from BAL, a term loan of Rs. 250 crore and the balance through internal accruals.

Rating sensitivities

Positive factors - The ratings could be upgraded if the expansion plan is completed on time without any significant cost overruns and the project stabilises as per the stated operating parameters, resulting in a healthy and sustained increase in the scale of operation, debt coverage indicators and liquidity. An improvement in the credit profile of the parent would also be a positive factor.

Negative factors - The ratings could be revised downwards if there are significant time and cost overruns in the expansion project, impacting the liquidity and debt coverage indicators of the entity. Any significant deterioration in the earnings along with a stretch in the working capital cycle can be the additional triggers for a downward rating revision. A specific trigger for downgrade would be a DSCR below 1.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Iron and Steel Rating Methodology
Parent/Group support	Parent entity: Berry Alloys Limited (BAL) The ratings factor in ICRA's expectation that BAL (rated [ICRA]A(Stable)/A1) would be willing to extend financial support to GFPL, if there is a need
Consolidation/Standalone	Standalone

About the company

Gajanan Ferro Pvt. Ltd. was founded by Mr. Sachin Poddar in 2007. The company installed two 5-MVA furnaces at Dhalbhumgarh in Jamshedpur for the production of silico manganese alloy. The erstwhile promoters were not able to generate any significant profits from the facility. However, the company has been able to turn around after an investment by Berry Alloys Limited (BAL) in May 2021, and is now generating healthy revenues and profits. The BAL Group picked up a 50% stake in the company (19% directly through BAL and 31% through group companies - Ragini Merchants Pvt. Ltd. and Disha Paints Pvt. Ltd.) in May 2021. In February 2025, the entity became a subsidiary of BAL, which hold a 54.34% stake. Additionally, Disha Paints Pvt Ltd. owns a 17.65% stake in the entity.

Key financial indicators (audited)

	FY2022	FY2023	FY2024	11M FY2025*
Operating income	154.8	334.7	366.2	346.1
PAT	15.2	32.6	26.0	3.9
OPBDIT/OI	15.0%	14.8%	12.7%	4.1%
PAT/OI	9.8%	9.7%	7.1%	1.1%
Total outside liabilities/Tangible net worth (times)	2.3	1.6	1.3	1.7
Total debt/OPBDIT (times)	1.6	1.0	1.8	7.9
Interest coverage (times)	9.3	13.2	5.8	2.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; *Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2025)			Chronology of rating history for the past 3 years					
	March 31, 2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Rating	Date	Rating	Date	Rating	Date	Rating
Long term - Term loan	Long term	15	[ICRA]BBB+(Stable)	28-Dec-24	[ICRA]BBB (Stable)	-	-	-	-
Long term - Cash credit	Long term	51	[ICRA]BBB+(Stable)	28-Dec-24	[ICRA]BBB (Stable)	-	-	-	-
Short term - Non-fund based - Bank guarantee	Short term	25	[ICRA]A2	28-Dec-24	[ICRA]A3+	-	-	-	-
Long term - Unallocated limits	Long term	9	[ICRA]BBB+(Stable)	28-Dec-24	[ICRA]BBB (Stable)	-	-	-	-

Amount in Rs. crore

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Cash credit	Simple
Bank guarantee	Very Simple
Unallocated long term	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan	2023	NA	2029	15.00	[ICRA]BBB+ (Stable)
NA	Cash credit	NA	NA	NA	51.00	[ICRA]BBB+ (Stable)
NA	Bank guarantee	NA	NA	NA	25.00	[ICRA]A2
NA	Unallocated	NA	NA	NA	9.00	[ICRA]BBB+ (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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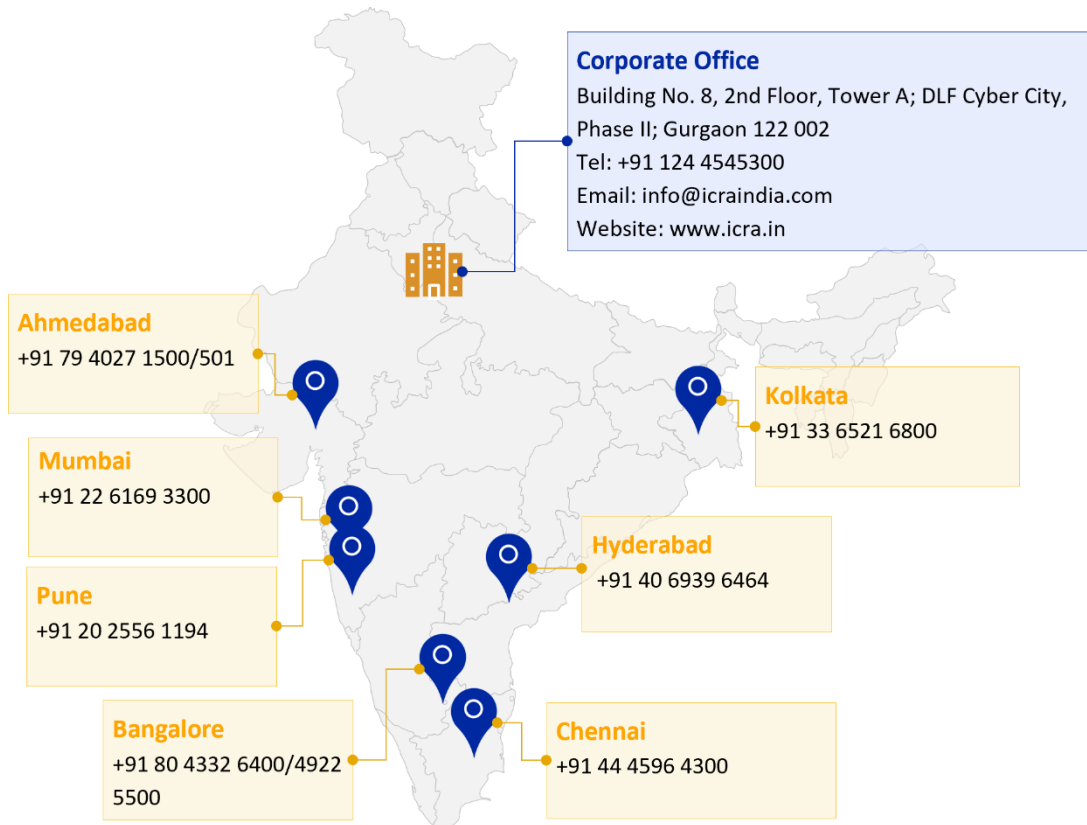


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