April 09, 2025

Berry Alloys Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term-term loan-fund based	75.00	75.00	[ICRA]A (Stable); Reaffirmed
Long term-cash credit-fund based**	170.00	170.00	[ICRA]A (Stable); Reaffirmed
Short term-forward cover-non fund based	3.40	3.40	[ICRA]A2+; Reaffirmed
Short term-letter of credit-non fund based^	280.00	280.00	[ICRA]A2+; Reaffirmed
Total	**528.4**	**528.4**	

**Instrument details are provided in Annexure-1; **Interchangeable to WCDL; ^Interchangeable to Bank Guarantee*

Rationale

While arriving at the ratings, ICRA has considered the consolidated financial profile of Berry Alloys Limited (BAL) against the earlier rating approach of analysing the standalone profile of the entity. This change in rating approach is following the increase in equity stake in Gajanan Ferro Pvt Ltd (GFPL), from 18.48% in FY2024 to ~54.34% in February 2025 (at a relatively nominal cash outlay of Rs. 2.5 crore) making it the subsidiary of BAL.

The reaffirmation of the ratings considers the noticeable recovery in BAL's performance in FY2025, driven by an improvement in the operating environment that has led to sequentially higher realisations and a revenue growth of ~15-16% at the consolidated level. The earnings had remained subdued in FY2024, owing to steep correction in blended realisations compared to the earlier fiscal. In addition, while the Government of Andhra Pradesh announced a significant reduction in the electricity duty and demand charges for ferro alloy producers from October 2023, the higher charges for H1 FY2024 adversely impacted the margins for the full fiscal FY2024. However, ICRA notes that the blended realisation has sequentially inched up in FY2025, marked by improvement in market prices along with full-fledged commencement of low carbon silico manganese (LC SiMn) production, which fetch premiums over the commoditised grades. The sales volume of LC SiMn is expected to further increase in FY2026, supporting the overall profits to an extent. In addition, the electricity duty continued to remain low for the entire fiscal, thus supporting the margins and debt coverage indicators. However, the electricity duty waiver is available till March 2025 and the continuation of the same for the next fiscal year would continue to remain the key monitorable for the entity.

While reaffirming the ratings, ICRA also considered the large expansion project in the newly formed subsidiary entity, GFPL for setting up of 1000 TPD - sponge iron, 21 MVA Ferro Alloys and 33 MW of waste-heat recovery based (WHRB) power plant and 12 MW of Circulating Fluidized Bed Combustion (CFBC) based power plant. The total project cost is expected to be around Rs 419 crore, to be funded by debt: equity mix of 1.47:1. The financial closure has not yet been achieved, and discussion is ongoing with the lenders. The equity portion would be largely funded through the unsecured loan from BAL, of which BAL has already provided USL to the tune of Rs 61.4 crore in FY2025. Majority of the machines order has already been placed and civil work is currently under progress. The company is likely to commence operations in phases and the entire facility is expected to commence operations in FY2027. Nonetheless, timely commissioning of the plant without any cost overrun and stabilisation of the same will be a key credit ratings factor. Also, the leverage (TD/OPBDITA) is expected to increase in the interim for the consolidated entity, owing to debt-funded nature of the capex. However, the entity is planning to start commercial production of backward integrated projects at the earliest to mitigate the impact to an extent. Once commissioned, it is expected to result in significant cost-savings for the entire operation owing to WHRB based power plant, which is likely to improve the overall cost-structure of the entity. ICRA also notes that BAL has plans to set up renewable capacities for its Vizag operation. However, the same is subject to land allocation by the Government. ICRA will continue to monitor the development regarding the same.

The ratings continue to derive comfort from Berry Alloys Limited's established market position in the ferro alloy industry along with its established customer base, an extensive experience and strong financial flexibility of the promoters. The ratings also factor in BAL's efficient operations, reflected by its high-capacity utilisation and a significant increase in its scale of operations, supported by capacity addition in the recent years. ICRA notes the strategic location of the company's plant in proximity to the Vizag port, which keeps the landed costs of imported raw materials low and aids in export of its products, rendering operational and cost benefits. ICRA also notes that the leverage and coverage indicators were adversely impacted in FY2024, but the same bounced back in the current fiscal. However, the ongoing expansion project is likely to keep the leverage high in the medium term.

The ratings are also constrained by the susceptibility of BAL's profitability to the cyclicality in the steel industry and exposure to fluctuations in raw material prices, power cost and finished goods realisations. The company also remains vulnerable to foreign exchange (forex) rates volatility. However, the presence of both exports and imports provides a natural hedging of forex risks, to some extent.

The Stable outlook on the long-term rating reflects ICRA's opinion that BAL is likely to witness a stable revenue growth, aided by regular capacity expansion and optimum utilisation of production capacities.

Key rating drivers and their description

Credit strengths

Extensive experience and strong financial flexibility of the promoter Group – BAL is promoted by Mr. Vijay Gupta, who has more than two decades of experience in the steel industry and looks after the overall operations in Bobbili, Vishakhapatnam.

Repeat business from established customers and significant expansion of scale leading to a robust revenue growth – BAL's products largely cater to the steel industry. In the domestic market, the company has long established relationships with public sector units (PSU) like Rastriya Ispat Nigam Limited, Steel Authority of India Limited, NMDC Steel Limited along with large private sector players like Tata Steel Limited, JSW Steels Limited, NMDC Steel Limited among others. The company also exports to Europe, Middle East, Korea, Japan, Thailand etc., which accounted for 41% of its total sales in 10M FY2025. Repeat business from the customers and a significant increase in capacity in the recent years have translated into a robust revenue growth. The company's current capacity stands at ~81MVA vis-à-vis ~45 MVA in FY2021 at the standalone level. At GFPL, there is additional capacity of around 25 MVA. Capacity expansion along with buoyant realisations led to a revenue growth of 110% in FY2022. In FY2023 and FY2024, despite a moderation in realisation, the company posted a revenue growth of 20-30%, driven by an increase in sales volume. BAL is likely to clock a double-digit revenue growth at the consolidated level in the current fiscal, with further increase in the scale of operations owing to better realisation, marked by improvement in market prices along with full-fledged commencement of low carbon silico manganese (LC SiMn) production, which fetch premiums over the commoditised grades. The sales volume of LC SiMn is expected to further increase in FY2026, supporting the overall profits to an extent.

Strategic location of the plant and efficient operations, reflected by high-capacity utilisation, positively impact cost structure – BAL's plant is located in proximity to the Vizag port, leading to low cost of imported raw materials and competitive exports. The company's efficient operation, reflected by optimum utilisation of the production capacities, also supports its cost structure and profitability.

Comfortable debt protection metrics: leverage likely to moderate with expansion projects- BAL has a comfortable capital structure with gearing stood in the range of 0.4-0.6 times in the last three fiscals. While debt levels have increased due to a rise in the working capital requirements with scaling up of operations, the coverage indicators remained comfortable in the current fiscal, after a moderation witnessed in FY2024. ICRA notes that the company is setting up large expansion projects due to which the leverage (TD/OPBDITA) are expected to increase in the interim for the consolidated entity, owing to debt-funded nature of the nature. However, the entity is planning to start commercial production of backward integrated projects at the earliest to mitigate the impact to an extent. Once commissioned, it is expected to result in significant cost-savings for the entire operation owing to WHRB based power plant, which is likely to improve the overall cost-structure of the entity. ICRA also notes that BAL has plans to set up renewable capacities for the Vizag operations. However, the same is subject to land allocation by the Government. ICRA will continue to monitor the development regarding the same and impact on the leverage position.

Credit challenges

Large project underway in GFPL exposing to project execution risk — GFPL, the subsidiary of BAL, is undertaking a project for setting up of 1000 TPD - sponge iron, 21 MVA Ferro Alloys and 33 MW of WHRB based power plant and 12 MW of CFBC based power plant. The total project cost is expected to be around Rs 419 crore, to be funded by debt: equity mix of 1.47:1. The financial closure has not yet been achieved, and discussion is ongoing with the lenders. The company is likely to commence operations in phases and the entire facility is expected to commence operations in FY2027. Timely commissioning of the plant without any cost overrun and stabilisation of the same will be a key credit ratings factor. Also, the leverage (TD/OPBDITA) is expected to increase in the interim, owing to debt-funded nature of the nature. Once commissioned, it is expected to result in significant cost-savings for the entire operation owing to WHRB based power plant, which is likely to improve the overall cost-structure of the entity.

Susceptibility of profitability to volatility in raw material prices, realisation, and power cost benefits – Raw materials are among the major cost components for ferro-alloy producers like BAL and are important determinants of profitability. The main raw materials include manganese ore, coal and coke, which account for bulk of the raw material costs and have exhibited sharp volatility in the past. BAL's profit margins remain vulnerable to fluctuations in ferro alloy realisations and raw material prices, given the lack of backward integration. In FY2024, the moderation in realisation impacted the earnings to an extent. Nevertheless, the entity has commissioned an argon-oxygen decarburisation (AOD) facility in FY2024 to commence production of low-carbon ferro alloys, which fetch considerably higher realisations, which supported the blended realisation in FY2025.

Ferro alloys manufacturing operations are highly energy intensive. The company does not have a captive power plant. While the power tariff increased in FY2023 and H1 FY2024, the reduction in duty supported the operation in H2 FY2024 and FY2025. However, the electricity duty waiver is available till March 2025 and the continuation of the same for the next fiscal year would continue to remain the key monitorable for the entity.

Cyclical nature of ferro-alloy industry with complete dependence on steel sector – Ferro alloys are primarily used to manufacture steel, wherein manganese plays the role of a desulphuriser and deoxidiser in the steelmaking process and impart special properties such as increased resistance to abrasion, improved hardness, workability and tensile strength. Thus, the demand and realisations for ferroalloys are dependent on the steel industry, which is cyclical in nature, leading to high volatility in earnings.

Exposed to forex risks, however, presence of both export and import provides a natural hedge – The company's profitability remains exposed to forex fluctuation risks, given BAL's high reliance on imports and exports. However, the presence of both exports and imports provides a natural hedging of forex risks, to some extent.

Liquidity position: Adequate

BAL's liquidity position is adequate. While the cash flow from operations weakened in FY2024, the improvement in profits is likely to improve the same in the current fiscal. The group has plans for the expansion project in GFPL, which is likely to be funded through unsecured loans from BAL as well as external term loans. However, the repayment is expected to remain moderate at Rs 12-17 crore in the coming two fiscals, supporting the overall liquidity position. The average utilisation of working capital limits remained moderate at ~80% in the last twelve months.

Rating sensitivities

Positive factors- ICRA may upgrade the ratings if there is a significant improvement in scale of operation, cost structure and profitability, strengthening the leverage and debt coverage indicators as well as liquidity position of the entity.

Negative factors- The ratings may be downgraded if a sustained decline in BAL's profitability, and/or significant time and cost overrun in the ongoing capex adversely impacting the credit metrics and liquidity position on a consolidated basis. Specific credit metrics for ratings downgrade include DSCR below 2 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Iron and Steel
Parent/Group Support	Not applicable
Consolidation/Standalone	ICRA has consolidated the financials of GFPL, a subsidiary of BAL (holding 54.34% stake) along with BAL to arrive at the ratings.

About the company

Berry Alloys Limited (BAL), incorporated in 2006, by Kolkata-based Mr. Vijay Gupta, manufactures ferro-alloys, primarily silico manganese. The manufacturing facilities are in Bobbili (Vizianagaram district), Andhra Pradesh, in proximity to the Vizag port. The company has an installed manufacturing capacity with submerged electrical arc furnace capacity of ~81 MVA with nine furnaces of 9 MVA each. The ferro alloys manufactured by BAL find usage in the steel sector. The company supplies its products in the export market as well as to the reputed steel makers in the domestic market. The entity has also commissioned an AOD facility in FY2024 to commence production of low-carbon ferro alloys, which fetch considerably higher realisations.

BAL has a subsidiary -Gajanan Ferro Pvt Ltd (GFPL) with a 54.34% equity stake. GFPL's plant is based out of Jharkhand with an installed manufacturing capacity of ~25 MVA. The entity has plans for capacity enhancement and a backward integration project, the capex phasing for which would be in FY2026 and FY2027.

Key financial indicators

	Standalone		Consolidated^	
	FY2024	11M FY2025*	FY2024	11M FY2025*
Operating Income (Rs. crore)	1689.3	1854.4	2055.5	2200.4
PAT (Rs. crore)	31.4	91.0	60.1	94.9
OPBDIT/OI (%)	3.9%	6.7%	5.7%	6.3%
PAT/OI (%)	1.9%	4.9%	2.9%	4.3%
Total Outside Liabilities/Tangible Net Worth (times)	1.4	1.2	1.4	1.2
Total Debt/OPBDIT (times)	3.4	1.7	2.6	2.0
Interest Coverage (times)	2.3	4.5	3.2	4.2

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; *Provisional; ^consolidation has been done by ICRA after adjusting for inter-company transaction to the extent possible.*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

<table>
<tr><th></th><th colspan="3">Current (FY2026)</th><th colspan="6">Chronology of rating history for the past 3 years</th></tr>
<tr><th></th><th colspan="3">April 09, 2025</th><th colspan="2">FY2025</th><th colspan="2">FY2024</th><th colspan="2">FY2023</th></tr>
<tr><th>Instrument</th><th>Type</th><th>Amount Rated (Rs Crore)</th><th>Rating</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th><th>Date</th><th>Rating</th></tr>
<tr><td>Long term-term loan-fund based</td><td>Long Term</td><td>75.0</td><td>[ICRA]A (Stable)</td><td>-</td><td>-</td><td>25-Mar-24</td><td>[ICRA]A (Stable)</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Long term-cash credit*-fund based</td><td rowspan="2">Long Term</td><td rowspan="2">170.0</td><td rowspan="2">[ICRA]A (Stable)</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">25-Mar-24</td><td rowspan="2">[ICRA]A (Stable)</td><td>26-Sep-22</td><td>[ICRA]A (Positive)</td></tr>
<tr><td>31-Mar-23</td><td>[ICRA]A (Stable)</td></tr>
<tr><td>Short term-forward cover-non fund based</td><td>Short Term</td><td>3.4</td><td>[ICRA]A2+</td><td>-</td><td>-</td><td>25-Mar-24</td><td>[ICRA]A2+</td><td>31-Mar-23</td><td>[ICRA]A2+</td></tr>
<tr><td rowspan="2">Short term-letter of credit^-non fund based</td><td rowspan="2">Short Term</td><td rowspan="2">280.0</td><td rowspan="2">[ICRA]A2+</td><td rowspan="2">-</td><td rowspan="2">-</td><td rowspan="2">25-Mar-24</td><td rowspan="2">[ICRA]A2+</td><td>26-Sep-22</td><td>[ICRA]A2+</td></tr>
<tr><td>31-Mar-23</td><td>[ICRA]A2+</td></tr>
</table>

**Interchangeable to WCDL; ^Interchangeable to Bank Guarantee*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based – Term Loan	Simple
Long term – Fund based – Cash Credit*	Simple
Short term – Non-fund based – Letter of Credit^	Very Simple
Short term – Forward Contract	Very Simple

**Interchangeable to WCDL; ^Interchangeable to Bank Guarantee*

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**	Jun 28, 2023	-	Dec 31, 2029	75.0	[ICRA]A (Stable)
NA	**Cash Credit***	-	-	-	170.0	[ICRA]A (Stable)
NA	**Letter of Credit^**	-	-	-	280.0	[ICRA]A2+
NA	**Forward Contract**	-	-	-	3.4	[ICRA]A2+

*Source: Company; *Interchangeable to WCDL; ^Interchangeable to Bank Guarantee*

Please click here to view details of lender-wise facilities rated by ICRA

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

Company Name	Ownership	Consolidation Approach
Gajanan Ferro Pvt Ltd	54.34%	Full Consolidation

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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