Impex Ferro Tech Limited

Instruments	Amount Rated (Rs. crore)	Rating action
Term loans	23.64	Downgraded to [ICRA]D from [ICRA]C
Working capital term loans	123.24	Downgraded to [ICRA]D from [ICRA]C
Funded Interest Term Loan	33.28	Downgraded to [ICRA]D from [ICRA]C
Fund Based Limits	98.44	Downgraded to [ICRA]D from [ICRA]C
Letter of Credit	40.00	Downgraded to [ICRA]D from [ICRA]A4
Bank Guarantee	10.00	Downgraded to [ICRA]D from [ICRA]C / [ICRA]A4
Unallocated Limit	1.40	Downgraded to [ICRA]D from [ICRA]C

ICRA has revised downwards the long-term rating assigned to the Rs. 23.64 crore[*] term loans, Rs. 123.24 crore working capital term loans, Rs 33.28 crore funded interest term loans, Rs 98.44 crore fund based limits, Rs 1.40 crore unallocated limits, and Rs. 10.00 crore bank guarantee limits of Impex Ferro Tech Limited (IFTL) to [ICRA]D (pronounced ICRA D) from [ICRA]C (pronounced ICRA C)[†]. The bank guarantee limits have also been rated on the short term scale, for which the rating has been revised downwards to [ICRA]D from [ICRA]A4 (pronounced ICRA A four). The short term rating for the Rs 40.00 crore letter of credit facilities of the company has also been downgraded to [ICRA]D from [ICRA]A4.

The revision in the ratings take into account the recent instance of devolvement of a Letter of credit (L/C) facility of the company, and the resulting irregularity in bank payment remaining uncorrected for a period more than 30 consecutive days. ICRA notes that IFTL's cash flows are under stress, given the low realization of the company's products vis-à-vis its cost of production. The ratings also take into account the adverse financial metrics of the company as reflected by its loss making nature of operations, highly aggressive capital structure, and stretched liquidity position. Additionally, ICRA notes that IFTL's non-integrated nature of operations exposes the company's margins and cash flows to the variability in the ferro alloy and raw material prices. The ratings, however, favorably factor in the experience of the promoters of the company in the steel and ferro alloys industries, as well as the company's favorable debt repayment schedule over the near term, in line with the recently implemented CDR programme, which is likely to support the liquidity position of the company going forward. Nevertheless, sizeable debt is required to be serviced over the medium term.

Company Profile

IFTL, promoted by the SKP group based out of Kolkata, West Bengal, is engaged in the manufacturing of ferro alloys from its facility located at Asansol in West Bengal. The company started this business in 1998 with two furnaces of 3.6 and 5.0 MVA respectively. Over the years, the company added additional ferro alloy manufacturing facilities, comprising two 7.5 MVA furnaces and one 8.25 MVA furnace. In addition, the company had also commissioned a 30 MW coal based power plant. Apart from manufacturing ferro alloys, IFTL is also engaged in trading of iron and steel based products.

Recent results

IFTL had registered a net loss of Rs. 61.44 crore on an operating income of Rs. 506.69 crore in financial year 2014-15 (FY15) as compared to a net loss of Rs. 54.85 crore on an operating income of Rs 699.30 crore in FY14. As per unaudited financial results, IFTL has registered a net loss of Rs 27.06 crore on an operating income of Rs 157.53 crore in April-September 2015.

December 2015

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[*] 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

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