

## Press Release

### Shree Balaji Pigments Private Limited

August 24, 2022

### Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BB   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has upgraded the long term rating to **"ACUITE BB" (read as ACUITE double B)** from **"ACUITE B+" (read as ACUITE B plus)** on the bank facility of Rs.25.00 Crore of SHREE BALAJI PIGMENTS PRIVATE LIMITED. The outlook is **'Stable'**.

#### Rationale for Rating Upgrade

The rating upgrade takes into account the significant turnaround in SBPPL's operating performance on the back of winding up of several units on account of losses incurred during the outspread of COVID 19. In addition to that, the company is offering the sales incentive to attract several new distributors to be associated with the company resulting into higher sales and better market penetration. The rating further continues to derive strength from the experience of management and established track record of the operations. SBPPL scale up its operations without any adverse impact on its profitability.

#### About the Company

Shree Balaji Pigments Private Limited (SBPPL) was incorporated in 2007 is a Jammu based private limited company. The firm is engaged in the manufacturing of TMT Bars with and installed capacity of 1,05,000 metric tonnes per annum. The company procures the raw material i.e., ingots from the domestic market and after processing it and converting it to TMT Bars the product is sold in the domestic market. The Present Directors of the company are Mr. Sunil Kumar Aggarwal and Mr. Lalit Aggarwal.

#### Analytical Approach

For arriving at this rating, Acuite has considered the standalone business and financial risk profile of Shree Balaji Pigments Private Limited.

#### Key Rating Drivers

#### Strengths

##### Experienced Management

This unit is operational since 2007. The management is closely involved in the operation of the company and further infused funds in the form of equity in order to support growing scale of

operations. Acuité believes that the company will continue to benefit from the promoters' experience.

### **Financial Risk Profile**

The financial risk profile of the company is moderate. The net worth of the company stood at Rs.20.57 Crores in FY22 and Rs.19.11 Crores in FY21. The debt equity ratio of the company is 1.32x in FY22 and 1.44x in FY21, it is further expected to moderate and go to the level of 1.82x as the company is onboarding debt to the tune of Rs.25 Crores for a Capex of Rs.40 Crores. The total debt profile of the company consists of Long term debt of Rs. 2.32 Cr., unsecured loans for Rs. 2.75 Crores, Short term debt of Rs. 21.20 Crores. Further, the interest coverage ratio increased to 2.45 times in FY22 from 2.03 times in FY21 and the DSCR in FY22 is 2.10 times and 1.84 times in FY21.

### **Working capital Operations**

The working capital operations of the company has improved marked by GCA Days 73 days in FY22 from 148 days in FY21. The inventory and debtor days of the company in FY22 are 20 days and 32 days. The company will regulate its operations in the same line for the projected years as well. Further, the current ratio of the company is 1.17 in FY22 and 1.22 in FY21. Acuite believes that the working capital operations of the company will remain in the same line.

### **Weaknesses**

#### **Vulnerability of margins to fluctuations in the prices of metal and steel**

The profitability is susceptible to volatility in raw material prices of metal and steel products. The company operates in a highly fragmented and competitive industry with a large number of organised and unorganised players.

### **Planned capex and implementation risk**

The company is going to undertake a capex of around Rs.40 Crores (~4x the current fixed asset size) for which the promoters will be infusing Rs. 15 Cr. in the form of Equity and unsecured loan and the rest amount will be funded through bank borrowings. The Fund tie up for the project is still under discussion and the project is in its very nascent stage and shows the funding risk at the moment. Further, the construction of the project and stability of its operation is yet to be known and is currently reflecting implementation risk. As the project is backward integration for the current process. Hence, the off take risk is somewhat mitigated by the internal consumption. The successful implementation and operations of the project remains a key monitorable.

### **Rating Sensitivities**

- Improvement in revenue and profitability going forward.
- Significant Improvement in working capital management of the company resulting into improved liquidity.
- Successful completion of capex and stabilized operations with sufficient off take.

### **Material covenants**

None.

### **Liquidity Position**

#### **Adequate**

The liquidity profile of the company is adequate. The company has generated the net cash accruals of Rs.3.49 Crores in FY22 against the CPLTD of 0.98 Crores. The net cash accruals are estimated in the range of Rs.6.27 Crores in FY23 and Rs. 10.41 Crores in FY24 against the CPLTD of Rs. 2.73 Crores and Rs.3.68 Crores in FY23 & FY24 respectively. The average bank limit utilisation of the company remained high at ~95% in past 6 months from January 2022 to June 2022.

### **Outlook: Stable**

Acuité believes that the company will maintain a stable outlook on the back of the management's extensive experience. The outlook may be revised to 'Positive' in case of

substantial increase in profitability margins supported by healthy revenue growth or improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure

## Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	154.55	77.91
PAT	Rs. Cr.	1.79	0.47
PAT Margin	(%)	1.16	0.61
Total Debt/Tangible Net Worth	Times	1.32	1.44
PBDIT/Interest	Times	2.45	2.03

## Status of non-cooperation with previous CRA (if applicable)

SHREE BALAJI PIGMENTS PRIVATE LIMITED mentioned as issuer not cooperating from BWR on October 28, 2021 with the rating of B-(Stable). In addition to that the company has also mentioned as issuer not cooperating from CRISIL on January 09, 2021 with the rating at D.

## Any other information

None.

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Jul 2022	Cash Credit	Long Term	20.75	ACUITE B+ ( Issuer not co-operating*)
	Proposed Bank Facility	Long Term	4.25	ACUITE B+ ( Issuer not co-operating*)
19 Apr 2021	Proposed Bank Facility	Long Term	4.25	ACUITE B+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	20.75	ACUITE B+ (Downgraded and Issuer not co-operating*)
24 Jan 2020	Cash Credit	Long Term	20.75	ACUITE BB- (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	4.25	ACUITE BB- (Issuer not co-operating*)
12 Nov 2018	Cash Credit	Long Term	20.75	ACUITE BB- (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	4.25	ACUITE BB- (Issuer not co-operating*)
08 Sep 2017	Cash Credit	Long Term	20.75	ACUITE BB-   Stable (Assigned)
	Proposed Bank Facility	Long Term	4.25	ACUITE BB-   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.50	ACUITE BB   Stable   Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.16	ACUITE BB   Stable   Upgraded
Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	2.55	ACUITE BB   Stable   Upgraded
Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.79	ACUITE BB   Stable   Upgraded

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### About Acuité Ratings & Research

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