

Press Release

BRGD Sponge & Iron Private Limited

January 05, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	10.00		ACUITE A3+ Reaffirmed
Bank Ratings Loan	10.00	ACUITE BBB Stable Assigned	
Bank Ratings Loan	60.00	ACUITE BBB Stable Reaffirmed	
Total	80.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of 'ACUITE BBB' (read as ACUITE triple B) and the short term rating of 'ACUITE A3+' (read as ACUITE A three plus) on the Rs.70.00 crore of bank facilities of BRGD Sponge & Iron Private Limited. Acuite has also assigned the long term rating of 'ACUITE BBB' (read as ACUITE triple B) on the Rs.10.00 crore of bank facilities of BRGD Sponge & Iron Private Limited. The outlook is 'Stable'.

About the Company

Kolkata based BRGD Sponge & Iron Private Limited was incorporated in 2004 by Mr. Rajesh Kumar Kanodia and Mr. Sanjeev Kanodia and is engaged in trading of sponge iron, coal and ferroalloys. The company primarily caters to its flagship entity Balmukund Concast Private Limited.

About the Group

Incorporated in 1995, Balmukund Concast Private Limited (BCPL) is the flagship company of the Balmukund group currently managed by Mr. Rajeev Kumar Kanodia, Mr. Sanjeev Kanodia, Mr. Ajay Kumar Jhunjhunwala, Mr. Santosh Kanodia and Ms. Pinky Agarwal. The company is engaged in manufacturing of thermomechanically treated (TMT) bars under the brand name of 'Balmukund Diamond' with an installed capacity of 150,000 MTPA and 108,000 MTPA of MS Billet respectively. The company has its manufacturing facility located at Patna, Bihar.

Analytical Approach

Acuite has consolidated the financial and business risk profile of Balmukund Concast Private Limited (BCPL) and BRGD Sponge & Iron Private Limited (BRGD). The group is herein being referred to as Balmukund Group. The same is on account of common management, same line of operations and significant operational and financial linkages. Extent of consolidation: Full

Key Rating Drivers

Strengths

Established track record of operation and experienced management

The group has a long execution track record of 25 years in the iron and steel industry and is one of the leaders in the Bihar and Jharkhand market. The promoter of the group Mr. Rajesh

Kumar Kanodia, Mr. Sanjeev Kanodia and Mr. Ajay Kumar Jhujhunwala possesses more than two decades of experience in the iron and steel industry. The other directors Mr. Santosh Kanodia and Ms. Pinky Agarwal, also have experience of more than a decade in the iron and steel industry. The group has a long presence in this sector and has established a healthy relationship with customers for more than a decade. Acuité believes that the group will continue to benefit from its promoter's extensive industry experience and established relationship with customers over the medium term.

Healthy scale of operation

The revenue of the group stood healthy at Rs.439.97 crore in FY2021 (Prov.) as compared to Rs.435.19 crore in the previous year. However, the sluggish growth in revenue of the group is on account of decrease in average realization to Rs. 35436 MTPA in FY 2021 (Prov.) as compared to Rs.36176 MTPA in FY2020 despite of increase in volume of sales. Currently the group has achieved a turnover of Rs.363.00 crore till 30th October FY2021 (Prov.).

Healthy financial risk profile-

The financial risk profile of the company is marked by moderate net worth, low gearing and strong debt protection metrics. The net worth of the company stood moderate at Rs.70.82 crore in FY 2021 (Prov.) as compared to Rs. 56.79 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company stood comfortable at 0.82 times as on March 31, 2021 (Prov.) when compared to 0.38 times as on March 31, 2020. Interest coverage ratio (ICR) is strong and stood 9.62 times in FY2021 (Prov.) as against 8.30 times in FY 2020. The debt service coverage ratio (DSCR) of the company also stood healthy at 7.94 times in FY2021 (Prov.) as compared to 4.23 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 0.28 times in FY2021 (Prov.) as compared to 0.54 times in the previous year. Going forward, Acuite believes the financial risk profile of the company will remain healthy on account of steady net cash accruals as against of long term debt obligation.

Weaknesses

Debt funded capex plan

The group is undertaking a capex in BRGD Sponge & Iron Private Limited. The group is going to set up MS Billet and TMT manufacturing facility with the capacity of 144,000 MTPA and 140,000 MTPA respectively. The project has already been commenced and land has already been acquired in Purulia, West Bengal which is also in close vicinity of the borders of Jharkhand. The total project cost would be Rs.90.00 crore of which Rs.20 crore has already been expended through the promoters own fund and balance Rs.70.00 crore would be funded through a term loan of Rs.45.00 crore and rest through the promoters contribution. The term loans are yet to be sanctioned. The management of the group is trying to enter into the West Bengal market through this capex. Moreover, the group will also enjoy the lower power cost from DVC which would provide a boost to their profitability margin. The project is expected to get completed by March 2023.

Cyclical nature of the industry

The company performance remains vulnerable to cyclical nature in the steel sector as demand for steel depends on the performance of the end user segments such as construction and real estate. Indian steel sector is highly competitive due to the presence of a large number of players. The operating margin of the company is exposed to fluctuations in the prices of intermediate product as well as realization from finished goods.

Rating Sensitivities

- ☐ Scaling up of operations while improving their profitability margin
- ☐ Sustenance of their conservative capital structure
- ☐ Timely completion of debt-funded capex

Material covenants

None

Liquidity Position: Adequate

The group has adequate liquidity marked by comfortable net cash accruals of Rs.16.57 crore in FY2021 as against Rs.11.45 crore previous year. The cash accruals of the group are estimated to remain in the range of around Rs. 17.19 crore to Rs. 30.16 crore during 2022-23 as against Rs. 6.63 crore of long term debt obligations FY2022 in FY2023 respectively. The current ratio of the group stood comfortable at 2.39 times in FY2021. The comfortable working capital management of the company is marked by moderate Gross Current Asset (GCA) days of 71 days in FY2021. The bank limit of the company has been ~84 percent utilized during the last six months ended in October 2021. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

Outlook- Stable

Acuité believes that group's business risk profile is expected remain 'Stable' on the back of extensive promoter's experience in the iron and steel industry and a comfortable financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected improvement in accruals while sustaining their liquidity position. Further, the outlook may be revised to 'Negative' in case of a sharp decline in accruals, a decline in profitability margin or deterioration in debt protection metrics.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	439.97	435.19
PAT	Rs. Cr.	14.04	9.64
PAT Margin	(%)	3.19	2.21
Total Debt/Tangible Net Worth	Times	0.82	0.38
PBDIT/Interest	Times	9.62	8.30

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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
06 Oct 2020	Proposed Bank Facility	Long Term	40.00	ACUITE BBB Stable (Assigned)
	Proposed Short Term Loan	Short Term	10.00	ACUITE A3+ (Assigned)
	Proposed Cash Credit	Long Term	12.50	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	7.50	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB Stable Assigned
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3+ Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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