

Press Release

Shri Balaji Industrial Products Limited

September 23, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	59.16	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	96.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	155.16	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on Rs. 155.16 crore bank facilities of Shri Balaji Industrial Products Limited (SBIPL). The outlook remains '**Stable**'.

The ratings continue to reflect a sound business risk profile of the group driven by steady revenue growth and a diversified customer base. The revenue growth is driven by significant rise in average realization of steel product due to buoyancy in the steel market. In addition, the clientele of the company includes reputed companies from steel, cement, and defense sectors. The ratings also factor in the group's strong financial risk profile marked by robust coverage and low gearing ratios because of low reliance on debt. The ratings are constrained by the cyclical nature of the steel industry along with decline in operating margin during FY22 on account of rise in commodity prices.

About the Company

Incorporated in 1985, Shri Balaji Industrial Products Limited (SBIPL) is a Jaipur-based company engaged in manufacturing of alloy steel castings having an installed capacity of 39,700 MTPA. Alloy steel castings are used in thermal power plants for grinding of coal, in cement industry for grinding of clinker, mining and defence industry. The company has setup a new plant in Aug, 2018 having an installed capacity of 20,000 MTPA in Bhilai, Chhattisgarh.

About the Group

Incorporated in 2008, Shri Balaji Industrial Engineering Limited (SBIEL) is a Jharkhand based company engaged in manufacturing of sponge iron. The manufacturing unit is located at Barajamda in Jharkhand, having an installed capacity of 1,20,000 MTPA of sponge iron. In April, 2008, SBIEL was de-merged from Shri Balaji Industrial Products Limited to carry on the sponge iron manufacturing business independently. The company is promoted by Mr. Kailash

Kumar Kanodia and his son, Mr. Ashish Kumar Kanodia who looks after the day-to-day operations of the company.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of Shri Balaji Industrial Engineering Limited (SBIEL) and Shri Balaji Industrial Product Limited (SB IPL) to arrive at the rating. The consolidation is on account of the operations in the similar industry, common management and operational and financial synergies.

Extent of Consolidation: Full

Key Rating Drivers

Strengths

Sound business profile

The group has a long track record of around three decades in the castings & forgings industry and two decades in the sponge iron manufacturing industry. The group is promoted by Mr. Kailash Kumar Kanodia, who has vast experience of around three decades in the steel industry.

The group caters to both renowned corporates and government undertakings such as Jindal Steel and Power Limited, Godawari Power and Ispat Limited, Nuvoco Vistas Corporation Ltd, Heavy Vehicle Factory among others. Further, the group has diversified geographical presence as it sells casting products to different entities across European and Asian nations such as UK, Saudi Arabia, Thailand etc. In FY22, the sale from overseas markets stood at Rs 74 Cr as against Rs 43 Cr in FY21. Acuité believes that the group's long-standing relationship with these clients will keep the business operations in good stead going forward.

Sustained revenue growth

The group had registered sustained growth during last 2 FYs as reflected from its revenue of Rs 591 Cr in FY22 as against Rs 454 Cr in FY21 and Rs 383 Cr in FY20. The growth is driven by significant rise in average realization of sponge iron along with rise in order flow related casting products from both domestic and overseas markets. The group has posted revenue of Rs 236 Cr till July 2022(Provisional). The scale of operation is expected to remain at similar level over the medium term as manufacturing units are operating at optimal level.

Improving financial risk profile

The financial risk profile of the group is marked by high net worth, comfortable gearing and healthy debt protection metrics. The net worth of the group stood at Rs. 186 Cr. as on 31 March, 2022 as against Rs.157 Cr. as on 31st March, 2021. The gearing (debt-equity) stood low at 0.42 times in FY2022 as against 0.59 times in FY2021. TOL/TNW stood comfortable at 0.97 times in FY22. The group has low reliance on external debt which led to decline in financial cost. Moreover, the interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood strong at 7.28 times and 3.78 times in FY2022 as compared to 5.82 times and 3.15 times in FY2021 respectively. The NCA/TD stood at 0.51 times in FY2022 as against 0.41 times in FY21. Acuité believes that the financial risk profile of the group will remain comfortable in the absence of any major debt funded capex plans in the medium term.

Weaknesses

Moderate working capital operations

The group's operations are moderately working capital intensive marked by Gross Current Asset (GCA) of 133 days in FY2022 as against 136 days in FY2021. Inventory Day stood at 84 days in FY2022 as against 70 days in FY2021. The debtor days stood at 30 days in FY2022 as against 32 days for FY2021. Acuité expects the GCA days to hover around same levels over the medium term because of large inventory level.

Pressure on operating margins

The profitability of the group had declined as EBITDA margin of the group stood at 9.05 percent in FY22 as against 12.81 percent in FY21. The decline in operating margins is driven by higher raw material costs and particularly higher coal prices. Acuite believes that the profitability margins of the group will continue to remain vulnerable as group is exposed to raw material fluctuation risk.

Rating Sensitivities

- > Substantial improvement in profitability margin
- > Sustenance of revenue growth backed by forward integration or product diversification Plan

Material covenants

None

Liquidity profile: Adequate

The group's liquidity is adequate marked by net cash accruals of Rs.39 crore in FY2022 against long term debt obligations of only Rs.4.82 crore. Net cash accruals are expected to remain in the range of Rs.46.00-43.00 Cr. as against nominal current maturity of Rs 9.00 Cr over the medium term. The group has utilized ~ 45 per cent of its working capital facilities during the twelve months ended July 2022. The group maintains unencumbered cash and bank balances of Rs. 3.42 crore as on March 31, 2022. The current ratio stood modest at 1.62 times as on March 31, 2022. The group's operations are moderately working capital intensive marked by Gross Current Asset (GCA) of 133 days in FY2022 as against 136 days in FY2021. Going forward, Acuite believes that the group's liquidity to remain adequate owing to the increased cash accruals over the medium term.

Outlook: Stable

Acuite believes the group's outlook will remain 'stable' over the medium term on account of its experienced management, reputed customer base and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the group registers substantial improvement in the operating margin with sustained revenue growth. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or further elongation in the operating cycle.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	591.45	454.47
PAT	Rs. Cr.	28.99	26.64
PAT Margin	(%)	4.90	5.86
Total Debt/Tangible Net Worth	Times	0.42	0.59
PBDIT/Interest	Times	7.28	5.82

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>
- 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>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Dec 2021	Term Loan	Long Term	14.09	ACUITE A- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.62	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	22.50	ACUITE A2+ (Upgraded from ACUITE A2)
	Bills Discounting	Short Term	10.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	13.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	2.45	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	16.50	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	26.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
	Packing Credit	Short Term	5.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Bank Guarantee	Short Term	40.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Standby Line of Credit	Short Term	5.00	ACUITE A2+ (Upgraded from ACUITE A2)
07 Jun 2021	Letter of Credit	Short Term	16.50	ACUITE A2 (Reaffirmed)
	Bills Discounting	Short Term	10.00	ACUITE A2 (Reaffirmed)
	Packing Credit	Short Term	5.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	26.00	ACUITE BBB+ Stable (Reaffirmed)
	Standby Line of Credit	Short Term	5.00	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	22.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	40.00	ACUITE A2 (Reaffirmed)
28 Apr 2021	Letter of Credit	Short Term	16.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	40.00	ACUITE A2 (Reaffirmed)
	Packing Credit	Short Term	5.00	ACUITE A2 (Reaffirmed)
	Bills Discounting	Short Term	10.00	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	22.50	ACUITE A2 (Reaffirmed)

	Standby Line of Credit	Short Term	5.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE BBB+ Stable (Reaffirmed)
		Long		
	Cash Credit	Term	26.00	ACUITE BBB+ Stable (Reaffirmed)
24 Dec 2020	Cash Credit	Long Term	13.00	ACUITE BBB+ Stable (Assigned)
	Packing Credit	Short Term	5.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	26.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	16.50	ACUITE A2 (Assigned)
	Letter of Credit	Short Term	22.50	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A2 (Assigned)
	Standby Line of Credit	Short Term	5.00	ACUITE A2 (Assigned)
	Bills Discounting	Short Term	10.00	ACUITE A2 (Assigned)
11 Nov 2020	Cash Credit	Long Term	25.00	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
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	32.10	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.40	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.60	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	32.40	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	8.45	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A2+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	30-06-2019	10	30-06-2025	10.06	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	30-06-2019	10	30-06-2024	1.65	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

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