



Press Release
SHRI BALAJI INDUSTRIAL PRODUCT LIMITED
March 21, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	67.66	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	3.50	-	ACUITE A1 Assigned
Bank Loan Ratings	87.50	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	158.66	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of **‘ACUITE A’ (read as ACUITE A)** and the short-term rating of **‘ACUITE A1’ (read as ACUITE A one)** on the Rs. 155.16 Cr. bank facilities of Shri Balaji Industrial Product Limited (SBIPL). The outlook is **‘Stable’**.

Acuite has assigned the short-term rating of **‘ACUITE A1’ (read as ACUITE A one)** on the Rs. 3.50 Cr. bank facilities of Shri Balaji Industrial Product Limited (SBIPL).

Rationale for rating reaffirmation

The rating reaffirmation considers the steady business profile of the group marked by steady scale of operations albeit moderately improving profitability margins in FY2024, further, the rating also takes cognizance of moderation in operating performance in FY2025 due to lower realisations with sustained profitability. The rating also draws comfort from the experienced management of the group with an established track record of operations and its reputed clientele. The rating also factors in the efficient working capital management as well as the healthy financial risk profile and strong liquidity position of the group. The rating is however constrained by the group’s presence in a highly competitive and cyclical nature of the steel industry.

About the Company

Shri Balaji Industrial Product Limited (SBIPL) incorporated in 1985, is a Jaipur-based company engaged in the manufacturing of alloy steel castings having an installed capacity of 36,000 MTPA. Alloy steel castings are used in thermal power plants for grinding of coal, in cement industry for grinding of clinker, in mining and in defence industry. The company is promoted by Mr. Sudhir Kumar Bansal and Mr. Ashish Kumar Kanodia who looks after the day-to-day operations of the company.

About the Group

Shri Balaji Industrial Engineering Limited (SBIEL) is incorporated in 2008, is a Jharkhand based company engaged in the 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 Product Limited (SBIPL) 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.

Unsupported Rating
Not Applicable

Analytical Approach

Extent of Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

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

Key Rating Drivers

Strengths

Experienced management with an established track record of operations and reputed clientele

SBIG has an operational track record of nearly four decades in the alloy steel casting industry and nearly two decades in the sponge iron manufacturing industry. The group is promoted by Mr. Kailash Kumar Kanodia, who possess an extensive experience of more than three decades in the steel industry. He is further supported by his son Mr. Ashish Kumar Kanodia and the other director Mr. Sudhir Kumar Bansal who are actively involved in day-to-day operations of the group. The extensive experience of the management has enabled SBIG to establish a healthy relationship with its reputed clientele such as Arcelormittal, Nippon Steel India Ltd., Godawari Power & Ispat Ltd, KIOCL Limited, Longwear Ltd (UK). NTPC Ltd., Ambuja Cements, ACC Cements amongst others from whom they receive repetitive orders. Acuité believes that SBIG will continue to benefit from its experienced management and established track record of operations.

Steady scale of operations albeit improving profitability margins

SBIG reported revenue of Rs. 806.04 Cr. in FY2024 as against Rs. 799.93 Cr. for FY2023 on account of steady sale of its sponge iron and alloy steel casting products. Further, SBIPL has reported a revenue of Rs. 269.43 Cr. in 10MFY2025 and SBIEL has reported revenue of 235.66 Cr. in 8MFY2025 due to lower realisation and lower demand of the products. At consolidated level, SBIG is expected to report revenue of Rs. ~700-750 Cr. Cr in FY2025. SBIEL has its presence of selling the sponge iron purely in domestic market whereas SBIPL has its presence of selling the alloy steel casting products in domestic as well as in the overseas market across countries such as U.K., Singapore, UAE, China, Canada amongst others.

The operating margin of the group stood improved at 11.73 percent in FY2024 as against 10.56 percent for FY2023 due to decrease in raw material cost. Going forward, the profitability margins of the Group are expected to be sustained as the group started passing on the increased raw material prices to an extent. The PAT margin of the company also improved and stood at 7.77 percent in FY2024 as compared to 6.50 percent in FY2023. Acuité believes that the ability of SBIG to maintain its scale of operations and profitability margins will remain a key rating sensitivity factor.

Healthy financial risk profile

Financial risk profile of SBIG group is healthy marked by healthy net worth, low gearing and healthy debt protection metrics. The tangible net-worth of the group improved and stood healthy at Rs. 301.42 Cr. as on 31 March 2024 as against Rs. 238.77 Cr. as on 31 March 2023 due to healthy accretion of profits to reserves. The gearing (debt equity) stood improved at 0.16 times as on 31 March 2024 as against 0.34 times as on 31 March 2023 due to decrease in the group's overall debt to Rs. 46.82 Cr. in FY2024 as against Rs. 80.55 Cr. in FY2023. This is due to a reduction in the group's short term and long-term bank borrowings and unsecured loans from directors. The total debt of Rs. 46.82 Cr. as on March 31, 2024, comprises of long-term bank borrowings of Rs. 4.87 Cr., unsecured loans from directors of Rs. 21.92 Cr. and short-term bank borrowings of Rs. 20.20 Cr. The interest coverage ratio and DSCR stood improved at 32.93 times and 9.77 times for FY2024 as against 13.06 times and 6.03 times for FY2023 respectively. The Net Cash Accruals to Total debt stood improved at 1.57 times for FY2024 as against 0.78 times for FY2023.

The Group has initiated a solar project in Jaisalmer with a capacity of 3 MW, with total cost of Rs. 10.81 Cr. which is funded through a term loan of Rs. 8.62 Cr. To date, they have contributed a total of Rs. 2.19 Cr. from own resources and have received disbursements from the term loan totalling to Rs. 7.95 Cr. The anticipated date for the project to commence operations is by end of March 2025.

SBIPL is currently undertaking a capital expenditure program for the expansion of Bhilai plant. This will increase installed capacity by 30,000 MPTA, bringing the total capacity to 50,000 MPTA. The total project cost is estimated to be ~ Rs.79.00 crore, which would be funded through a term loan of Rs.52 crore and rest from internal reserves. The project to commence operations by March 2026.

Acuité believes that the financial risk profile of SBIG will remain healthy in the medium term owing to healthy net worth base. Notwithstanding the benefits of the capacity expansion, the debt funded capex likely to impact the coverage indicators to an extent.

Efficient working capital operations

The working capital operations of SBIG are efficient marked by its improved Gross Current Assets (GCA) of 83 days for FY2024 as against 99 days for FY2023. This is on account of its improved inventory cycle which stood at 35 days for FY2024 as against 56 days for FY2023. On the other hand, the receivables cycle of the group stood at similar level of 32 days for FY2024 as against 30 days for FY2023. The creditors cycle of the group stood at 11 days for FY2024 as against 16 days for FY2023. The average bank limit utilization for 6 months' period ended February 2025 stood lower at ~10 percent. Acuité believes that the ability of SBIG to maintain the efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Weaknesses

Intense competition and inherent cyclical nature in the steel industry

SBIG is operating in a competitive and fragmented nature of industry due to the presence of many unorganized players on account of low entry barriers. Moreover, demand for steel products predominantly depends on the construction and infrastructure sectors. Thus, the profit margins and sales of the company remains exposed to inherent cyclical nature in these sectors.

Susceptibility of profitability to volatility in raw material prices and forex risk

The group's profitability is highly susceptible to volatility in prices of the key raw material. Any sharp upward movement in the raw material prices and the inability of the group to pass on the increased cost of raw materials may result in dip in operating margins. Acuité believes, the profit margins of the group likely to remain exposed to inherent cyclical nature in the steel industry and volatility in raw material prices. Margins are susceptible to fluctuations in foreign exchange fluctuations.

Rating Sensitivities

- Sustenance of scale of operations and profitability margins
- Maintenance of efficient working capital cycle
- Changes in Financial risk profile

Liquidity Position

Strong

SBIG has a strong liquidity position marked by healthy net cash accruals (NCA) to its maturing debt obligations. The group generated cash accruals of Rs. 73.29 Cr. against its debt repayment obligation of ~Rs.4.87 Cr. during in FY2024. Going forward, the group is expected to generate adequate net cash accruals against its repayment debt obligations. Further, the working capital operations of the group are efficient marked by its gross current asset (GCA) days of 83 days for FY2024. The average bank limit utilization for 6 months' period ended February 2025 stood lower at ~10 percent. The current ratio stands at 3.24 times as on 31 March 2024. The group has maintained cash & bank balance of Rs.11.10 Cr. in FY2024. Acuité believes that the liquidity of SBIG is likely to remain strong over the medium term on account of healthy cash accruals against its maturing debt obligations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	806.04	799.93
PAT	Rs. Cr.	62.65	52.03
PAT Margin	(%)	7.77	6.50
Total Debt/Tangible Net Worth	Times	0.16	0.34
PBDIT/Interest	Times	32.93	13.06

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

Not applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any Other Information

None

Applicable Criteria

- 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Dec 2023	Cash Credit	Long Term	16.60	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	22.40	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Term Loan	Long Term	10.06	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Term Loan	Long Term	1.65	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Proposed Long Term Loan	Long Term	8.45	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	PC/PCFC	Short Term	5.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bills Discounting	Short Term	5.00	ACUITE A1 (Upgraded from ACUITE A2+)
	Bank Guarantee (BLR)	Short Term	32.10	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	16.50	ACUITE A1 (Upgraded from ACUITE A2+)
	Letter of Credit	Short Term	32.40	ACUITE A1 (Upgraded from ACUITE A2+)
	Stand By Line of Credit	Short Term	5.00	ACUITE A1 (Upgraded from ACUITE A2+)
23 Sep 2022	Cash Credit	Long Term	22.40	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	16.60	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	10.06	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	1.65	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	8.45	ACUITE A- Stable (Reaffirmed)
	PC/PCFC	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Bills Discounting	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	32.10	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	16.50	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	32.40	ACUITE A2+ (Reaffirmed)
	Stand By Line of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.70	Simple	ACUITE A1 Reaffirmed
State Bank of India	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.50	Simple	ACUITE A1 Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	11.30	Simple	ACUITE A Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	33.90	Simple	ACUITE A Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	13.80	Simple	ACUITE A Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.20	Simple	ACUITE A1 Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.50	Simple	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	48.60	Simple	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE A1 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.50	Simple	ACUITE A1 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	04 Oct 2024	Not avl. / Not appl.	30 Sep 2031	8.66	Simple	ACUITE A Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr. No.	Company name
1	Shri Balaji Industrial Engineering Limited (SBIEL)
2	Shri Balaji Industrial Product Limited (SBIPL)

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About Acuité Ratings & Research

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