

Press Release

Balajee Mini Steels & Re-rolling Private Limited

March 10, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	24.90	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	24.90	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as ACUITE triple B plus) on the Rs.24.90 Cr of bank facilities of Balajee Mini Steels & Re-rolling Private Limited (BMSRPL). The outlook is '**Stable**'.

About the Company

Incorporated in 1987, Balajee Mini Steels & Re-rolling Private Limited was established by Mr. Nawal Kumar Kanodia and Mr. Abhishek Kanodia and is engaged in manufacturing of MS billet and TMT bar under the same brand of 'Balmukund Super TMT' and 'Balmukund 7 Star', with an installed capacity of 60,000 MTPA for each respectively. It has its manufacturing facility located at Patna, Bihar.

About the Group

Incorporated in 1999 by Mr. Nawal Kumar Kanodia, Mr. Abhishek Kanodia, Mr. Pradeep Kumar Sahewal and Mr. Om Prakash Agarwal, Balmukund Sponge & Iron Private Limited (BSIPL) is the flagship company of the Balmukund Group. The company is engaged in manufacturing of sponge iron, MS Billet and TMT bars under the brand name of 'Balmukund Super TMT' and 'Balmukund 7 Star', with an installed capacity of 90,000 MTPA of sponge iron, 120,000 MTPA of MS billet, 37,000 MTPA of pig iron and 90,000 MTPA of TMT Bar. The company has its manufacturing facility located at Giridih, Jharkhand.

Incorporated in 2004, Balmukund Cement & Roofings Private Limited was established by Mr. Nawal Kumar Kanodia and Mr. Abhishek Kanodia and stated commercial operation from 2013. The company is engaged in manufacturing of AC roofing sheets with an installed capacity of 118,000 MTPA. It has its manufacturing facility located at Purulia, West Bengal.

Analytical Approach

Acuité has consolidated the financial and business risk profile of Balmukund Sponge & Iron Private Limited, Balajee Mini Steels & Re-rolling Private Limited and Balmukund Cement & Roofings Private Limited. The group is herein being referred to as Balmukund Group. The same is on account of common management, common parent, financial linkages in terms of corporate guarantee and business linkages in the form of same distribution channel. Extent of consolidation: Full

Key Rating Drivers

Strengths

Long track record of operation and experienced management

The group has a long execution track record of 20 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. Nawal Kumar Kanodia, Mr. Abhishek Kanodia, Mr. Pradeep Kumar Sahewal and Mr. Om Prakash Agarwal possesses more than two decades of experience 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.

Healthy scale of operation

The revenue of the group stood healthy at Rs.760.19 crore in FY2021 as compared to Rs.626.36 crore in the previous year. This improvement in revenue of the group is mainly on account of increase in volume sales in TMT bars during the period along with increase in average realization. Currently the group achieved the revenue of Rs.613.45 crore till 31st December'21 (Prov.). Acuité believes that the revenue of the group will increase on account of increase in steady demand in iron and steel industry in domestic market.

Healthy financial risk profile

The financial risk profile of the group is marked by healthy net worth, comfortable gearing and comfortable debt protection metrics. The net worth of the group stood healthy at Rs.184.78 crore in FY 2021 as compared to Rs 167.88 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. Acuité has also considered unsecured loan of Rs.27.00 crore as quasi equity, as the same amount is subordinated with bank debt. The gearing of the group stood comfortable at 0.57 times as on March 31, 2021 when compared to 0.75 times as on March 31, 2020. This improvement in overall gearing is on account of increase in networth during the period. Interest coverage ratio (ICR) stood at 2.60 times in FY2021 as against 2.67 times in FY 2020. The debt service coverage ratio (DSCR) of the group stood at 2.17 times in FY2021 as compared to 2.12 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.26 times in FY2021 and in the previous year respectively. Going forward, Acuité believes the financial risk profile of the group will remain healthy on account of stable net cash accruals over the near term.

Weaknesses

Declining profitability margin

The operating profitability margin of the company has declined to 6.48 per cent in FY2021 per as compared to 9.30 per cent in FY2020. This significant decrease in operating profitability is on account of increase in raw material price and increase in selling expenses in Balmukund Sponge and Iron private Limited. The group has expanded to cater to markets in Bihar and Jharkhand to utilize enhanced capacity of TMT bar during FY2021, resulting into increase in commission and advertisement expenses during the same period. Further, the operating profitability margin has also been impacted due to the decrease in the consultation income in Balmukund Cement and Roofing Pvt. Ltd. The group was providing services to the Govt. clients for procuring of pipes till FY2021 which has now been discontinued. The net profitability margin of the group has also declined to 2.22 per cent in FY2021 as compared to 3.10 per cent during the previous year. Acuité believes the profitability margin of the group will be sustained at the same level over the medium term on account of well-established position in the market of Bihar, Jharkhand and West Bengal.

Moderate working capital intensive nature of operation

The working capital management of the group is marked by moderate GCA days of 125 days in FY2021 as compared to 185 days in FY2020. This high GCA day is mainly on account of high other current asset of Rs.93.58 crore in FY2021 which mainly consists of advance to suppliers of Rs.78.99 crore. The inventory holding period of the group stood moderate at 59 days in FY2021 as compared to 119 days in the previous year. The inventory days in FY2020 was stood high as

compared to FY2021 on account of inventory pile up of finished goods during 31st March 2020, which further coincided with the nation-wide lockdown. The debtor days of the group has also stood moderate at 24 days in FY2021 and in FY2020 respectively. Acuité believes that the ability of the group to manage its working capital operations efficiently will remain a key rating sensitivity.

Rating Sensitivities

- Ramp up in operations while maintaining their profitability margin
- Sustenance of their conservative capital structure
- Working capital management

Material covenants

None

Liquidity Position: Adequate

The group has adequate liquidity marked by healthy net cash accruals of Rs.27.94 crore as against Rs.2.42 crore long term debt obligations in FY2021. The cash accruals of the group are estimated to remain in the range of around Rs. 31.03 crore to Rs. 36.23 crore during 2022-23 as against Rs. 6.03 crore of long term debt obligation in FY2022 and in FY2023. The current ratio of the group stood comfortable at 1.46 times in FY2021. The working capital intensive nature of the group is marked by high Gross Current Asset (GCA) days of 125 days in FY2021. The bank limit of the group has been ~77 percent utilized during the last six months ended in January 2022. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy 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 healthy 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 further elongation in the working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	760.19	626.36
PAT	Rs. Cr.	16.90	19.40
PAT Margin	(%)	2.22	3.10
Total Debt/Tangible Net Worth	Times	0.57	0.75
PBDIT/Interest	Times	2.60	2.67

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

Not Applicable

Any other information

Not Applicable

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>
- 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
16 Feb 2021	Cash Credit	Long Term	17.70	ACUITE BBB+ Stable (Assigned)
	Letter of Credit	Short Term	12.50	ACUITE A2 (Assigned)
	Term Loan	Long Term	4.70	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
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.90	ACUITE BBB+ Stable Reaffirmed

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About Acuité Ratings & Research

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