



**Press Release**  
**Balmukund Cement And Roofings Private Limited**  
**September 20, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB+   Stable   Reaffirmed   Positive to Stable	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-

**Rating Rationale**

Acuité has reaffirmed the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** on the Rs.25.00 Cr. of bank facilities of Balmukund Cement and Roofings Private Limited. The outlook is revised from **'Positive'** to **'Stable'**.

**Rationale for Rating**

The rating continues to reflect a stable business and financial risk profile. There has been an improvement in operating margin despite a slight decline in scale of operations due to reduced sale realisation from steel segment. Also, the PAT margin has experienced a marginal decline due to increase in depreciation cost on account of augmentation of one of the expanded steel unit of the group. The group has maintained a healthy financial risk profile characterized by comfortable capital structure, healthy debt protection metrics and adequate liquidity. The group's liquidity remains adequate with a moderate current ratio, no major debt funded capex plans and presence of unsecured loans providing financial flexibility. The rating is also characterized by established market position, prominent brand presence, long track record of operations and extensive experience of promoters in this industry. These strengths are partially offset by the susceptibility to fluctuations in raw material prices and the cyclical nature of the steel industry.

**About the Company**

Incorporated in 2004, Balmukund Cement and Roofings Private Limited based in Patna and began commercial operations in 2013. Balmukund Cement & Roofings (P) Limited is a diversification project of Balmukund Group. The company is engaged in manufacturing Asbestos Cement roofing sheets. The company is also undertaking contractual business of

manufacturing MS pipes through job workers. The company also indulges in opportunistic trading activities of MS wires and pipes. It has its manufacturing facility located in Purulia, West Bengal. Mr. Pradip Kumar Sahewal, Mr. Nawal Kumar Kanodia and Mr. Abhishek Kanodia are the present directors of the company.

### **About the Group**

#### **Balmukund Sponge and Iron Private Limited**

Incorporated in 1999, Balmukund Sponge and Iron Private Limited (BSIPL) based in Kolkata 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' with an installed capacity of 90,000 MTPA of sponge iron, 219200 MTPA of MS billet, 67,000 MTPA of pig iron and 246000 MTPA of TMT Bar. The company has its manufacturing facility located at Giridih, Jharkhand. Mr. Om Prakash Agrawal, Mr. Nawal Kumar Kanodia, Mr. Abhishek

Kanodia and Mr. Pradip Kumar Sahewal are the present directors of the company.

### **Balajee Mini Steels and Rerolling Private Limited**

Incorporated in 1987, Balajee Mini Steels and Rerolling Private Limited based in Patna and is engaged in manufacturing of MS billet and TMT bar under the same brand of 'Balmukund Super TMT', with an installed capacity of 60,000 MTPA for each respectively. It has its manufacturing facility located at Patna, Bihar. Mr. Nawal Kumar Kanodia, Mr. Abhishek Kanodia and Mr. Pradip Kumar Sahewal are the present directors of the company.

### **Unsupported Rating**

Not Applicable

### **Analytical Approach**

#### **Extent of Consolidation**

- Full Consolidation

#### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has consolidated the financial and business risk profiles of Balmukund Sponge and Iron Private Limited, Balajee Mini Steels and Rerolling Private Limited, and Balmukund Cement and Roofings Private Limited. The group is herein referred to as Balmukund Group. The same is on account of common management, a common parent, financial linkages in terms of corporate guarantee, and business linkages in the form of same distribution channel.

### **Key Rating Drivers**

#### **Strengths**

##### **Long track record of operations and experienced management**

The group has a long execution track record in the iron and steel industry and is one of the leaders in the Bihar and Jharkhand market. Through BCRPL, the promoters diversified into manufacturing asbestos cement sheets and has garnered experience in this business since more than a decade. BCRPL also undertakes MS pipes on contractual business. The promoters of the group Mr. Nawal Kumar Kanodia and Mr. Abhishek Kanodia possesses around 30-40 years of experience. The group has a long presence in these sectors and has established a healthy relationship with customers and suppliers. Acuite believes that the group will continue to benefit from the experience of the promoters in their business risk profile.

##### **Healthy Financial Risk Profile**

The financial risk profile is marked by healthy network, comfortable gearing and healthy debt protection metrics. The network of the group stood at Rs.243.85 Cr. in FY24 (Prov.) as against Rs.218.68 Cr. in FY23 and Rs.178.52 Cr. in FY22, due to steady accretion of reserves. The gearing of the group stood below unity at 0.85 percent in FY24 (Prov.) as against 0.98 percent in FY23 and 1.00 percent in FY22. The interest coverage ratio and debt service coverage ratio stood healthy at 3.59 times and 3.14 times respectively in FY24 (Prov.). Acuite believes the financial risk profile of the group will remain healthy on account of steady net cash accruals over the near term and absence of any major debt funded capex plan.

##### **Moderate Working Capital Management**

The group has a moderate working capital cycle as reflected from Gross Current Assets (GCA days) of 100 days in FY24 (Prov.) as against 78 days in FY2023 and 108 days in FY2022. The inventory days stood at 52 days in FY24 (Prov.) as against 46 days in FY2023 and 77 days in FY2022. The debtor days stood at 18 days in FY24 (Prov.) as against 10 days in FY23 and 7 days in FY22. The creditor days stood at 4 days in FY24 (Prov.) as against 6 days in FY23 and 4 days in FY22. Acuite believes that the working capital operations of the group will remain at similar levels over the medium term.

#### **Weaknesses**

**Decline in Scale of Operations, however improved Profitability margin**

The group has achieved an operating income of Rs.1210.47 Cr. in FY24 (Prov.) as against Rs.1438.25 Cr. in FY23 and Rs.889.64 Cr. in FY22. The prices of steel witnessed a downward trend, leading to decline in price realisations from sale of products. However, the volumes sold were largely in line with previous year.

In case of BCRPL, asbestos cement sheet is used in the northeastern region and is subject to cracking, necessitating a replacement. However, during pandemic, demand for replacement of asbestos sheet was negligible. FY2023 was marked by an unusual spike in demand post pandemic which had a significant uptrend in sales. In FY24 Provisional, a moderate replacement cycle is expected which is characterized by slow churning of demand and thus the capacity production is normalised. Though, the volumes sales declined but price realisations have increased resulting in marginal impact on topline from this business segment. Furthermore, sluggish trading sales have also contributed towards the decline in topline. The group has reported revenues of Rs.461.36 Cr. till August 26, 2024 (Provisional).

The EBITDA margin stood at 6.09 percent in FY24 (Prov.) as against 5.74 percent in FY23 and 5.81 percent in FY22. It continued to improve because of stabilization in raw material prices. The PAT margin stood at 2.08 percent in FY24 (Prov.) as against 2.79 percent in FY2022 and 2.33 percent in FY2021. The slight decrease is due to increase in depreciation expenses as a result of augmentation of expanded unit of billet unit of BSIPL. Acuite believes that since the prices of raw materials will be stabilised, the revenues of the group are also expected to improve over the medium term.

### **Intense competition and inherent cyclicity in the steel industry**

The group is operating in competitive and fragmented nature of industry especially in primarily steel producing industry. There are several players who are engaged in the sponge iron and billets manufacturing business in organized and unorganized sector. Moreover, the profit margins and sales of the group remains exposed to fluctuations in the steel sector, owing to the inherent cyclicity of demand for steel products. Changes in government policies regarding export/import can significantly impact the dynamics of the industry.

### **Rating Sensitivities**

- Growth in scale of operations while maintaining margins
- Any unplanned debt funded capex

### **Liquidity Position Adequate**

The group has adequate liquidity as reflected from net cash accruals of Rs.45.64 Cr. against Rs. 0.29 Cr. repayment of debt obligations. The group maintains free fixed deposits under cash and bank balances. The current ratio stood moderate at 1.41 times in FY24 (Prov.) as against 1.23 times in FY2023 and FY2022. The bank limit utilization (consolidated) has been 82.53% of fund-based and 59.31% of non-fund based for seven months ending July 2024. The group enjoys financial flexibility in the terms of unsecured loan from promoters and body corporates to the tune of Rs.20.54 Cr. in FY24(Prov.). Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of steady cash accruals against nil long debt repayments, moderate current ratio, absence of debt funded capex plans and free FDs over the medium term.

**Outlook: Stable**

Acuité believes that group has achieved decline in scale of operations along with profitability margins. Moreover, the group has been able to maintain its healthy financial risk profile with low debt protection metrics and its adequate liquidity position. The rating may be upgraded if the group sustains the growth momentum while maintaining operating profitability and the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than anticipated revenues, deterioration in profitability metrics or deterioration in financial risk profile.

**Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	1210.47	1438.25
PAT	Rs. Cr.	25.17	40.16
PAT Margin	(%)	2.08	2.79
Total Debt/Tangible Net Worth	Times	0.85	0.98
PBDIT/Interest	Times	3.59	4.92

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

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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jun 2023	Cash Credit	Long Term	15.00	ACUITE BBB+   Positive (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+   Positive (Reaffirmed)
26 May 2023	Cash Credit	Long Term	15.00	ACUITE BBB+   Positive (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB+   Positive (Reaffirmed)
30 Mar 2022	Cash Credit	Long Term	15.00	ACUITE BBB+   Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB+   Stable   Reaffirmed   Positive to Stable
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB+   Stable   Reaffirmed   Positive to Stable

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

Sr.No.	Company Name
1	Balmukund Sponge and Iron Private Limited
2	Balajee Mini Steels and Rerolling Private Limited
3	Balmukund Cement and Roofings Private Limited



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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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