



**Press Release**  
**BANSAL ORE AND METALS PRIVATE LIMITED**  
**November 29, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	53.50	ACUITE BB+   Stable   Assigned	-
Bank Loan Ratings	15.00	-	ACUITE A4+   Assigned
<b>Total Outstanding Quantum (Rs. Cr)</b>	68.50	-	-

**Rating Rationale**

Acuite has assigned its long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 68.50 Cr bank facilities of Bansal Ore and Metals Private Limited (BOMPL). The outlook is '**Stable**'.

**Rationale for the rating**

The rating assigned factors in the extensive experience of the promoters of around two decades in the iron and steel industry and healthy scale of operations in the first year of its operations marked by revenue of Rs.373.94 Cr in FY23. The rating also reflects the above average financial risk profile marked by comfortable capital structure (gearing: 0.64 times in FY23) and comfortable debt coverage indicators. The rating also favourably factors in the efficient working capital management marked by GCA days of 51 days in FY2023. The adequate liquidity position as reflected in the sufficient net cash accruals against the current maturities of long-term debt further supports the rating, however, 100 per cent utilisation for last six months ended 30 th September 2023 in the cash credit facility remains a constraining factor. The rating further remains constrained by modest profitability margins and inherent cyclical nature of steel industry

**About the Company**

Incorporated in 2018, Bansal Ore and Metals Private Limited (BOMPL) is engaged in the manufacturing of MS billets and TMT bars. The company manufactures MS billets on its own with a total installed capacity of 80,000 MTPA. However, it gets the TMT manufactured through job work from one of its group companies, Bansal Steel Manufacturing Private Limited, with an installed capacity of 80,000 MTPA. The hot billets manufactured is used in group company consumption for manufacturing of TMT bars. The company has begun production from April 2022.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of BOMPL to arrive at the rating.

**Key Rating Drivers**

## Strengths

Experienced management and healthy scale of operations in its first year of

## **operations**

The management of BOMPL have an extensive experience of more than two decades in the iron and steel industry, through their association with other group companies of "Bansal Group". The group has established its own brand 'Bansal TMT Sariya' which has a strong regional market recall for TMT bars. The promoters of the Bansal Group, Mr. Anil Bansal and Sunil Bansal started the road and civil construction works three decades ago and now their sons, Mr. Kunal Bansal and Mr. Karthik Bansal, the promoter directors of the BOMPL look after the day-to-day affairs of the company. The established experience of the management has enables the company register an operating income of Rs.373.94 Cr in FY23, its first year of commercial operations. Furthermore, the company has achieved a revenue of Rs.174.79 Cr in Apr'23-Sept'23. Acuité believes that the long experience of the management might continue to benefit the company going forward, resulting in steady growth in the scale of operations.

## **Above average financial risk profile**

The company's financial risk profile is marked by comfortable net worth base, low gearing and comfortable debt protection metrics. The tangible net worth of the company increased to Rs.46.08 Cr as on March 31, 2023 from Rs.11.75 Cr as on March 31, 2022, due to accretion of profits to reserves. Acuité has considered unsecured loans of Rs.25.00 Cr as on March 31, 2023 as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Gearing of the company stood at 0.64 times as on March 31, 2023 as against 3.80 times as on March 31, 2022. Though the gearing is expected to increase in the near term as the company has got a sanction of Cash Credit facility during the current fiscal, it would continue to remain at comfortable levels over the medium term. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.54 times as on March 31, 2023 as against 3.95 times as on March 31, 2022. Moreover, the comfortable debt protection metrics is marked by Interest Coverage Ratio of 3.50 times as on March 31, 2023 as against 1.04 times as on March 31, 2022; and Debt Service Coverage Ratio at 2.31 times as on March 31, 2023 as against 1.03 times as on March 31, 2022. The coverage indicators are expected to moderate in the near to medium term, it would still stand at comfortable level to meet its debt obligations. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.21 times as on March 31, 2023. Acuité believes that going forward the financial risk profile of the company will be sustained backed by moderate accruals and no major debt funded capex plans.

## **Efficient working capital management**

The efficient working capital management of the company is marked by GCA days of 51 days in FY2023 due to better inventory and debtor management. Inventory days stood at 27 days and debtor period stood at 18 days in FY2023. Acuité believes that the working capital requirement is likely to remain at similar levels in the near to medium term.

## **Weaknesses**

### **Modest profitability margins**

The operating margin stood at 2.34 per cent and the PAT margin stood at 1.16 per cent in FY2023. The PAT margin is expected to moderate in the near to medium term on account of increased finance cost on the working capital facility availed by the company in the current fiscal. The profitability margins are modest because of absence of backward integration of sponge iron plant and no captive power plant. The company sources sponge iron domestically and other scraps used in the manufacturing of billets from UAE and Singapore. Sustenance in the scale of operations and improvement in the profitability margins will remain a key rating sensitivity.

## **Inherent cyclical nature of the steel industry**

The company's performance remains vulnerable to cyclicity in the steel sector given the close linkage between the demand for steel products and the domestic and global economy. The end-user segments such as real estate, civil construction and engineering also display cyclicity. Further, operating margins are vulnerable to volatility in the input prices (sponge iron, iron ore and coal) as well as realisation from finished goods. The prices and supply of the main raw material, sponge iron, directly impacts the realisations of finished goods. Any significant reduction in the demand and prices adversely impacting the operating margins and cash accruals of the group will remain a key monitorable.

## Rating Sensitivities

- Sustenance in the operating income and improvement in the profitability margins.
- Elongation of working capital cycle.
- Sustenance of capital structure.

## All Covenants

None.

## Liquidity Position

### Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.6.15 Cr in FY2023 as against long term debt repayment of only Rs.1.20 Cr over the same period. Further, the company is expected to generate sufficient net cash accruals to repay its debt obligation. The current ratio stood moderate at 1.08 times as on March 31, 2023 and is expected to remain at almost similar levels in the near to medium term. The cash and bank balances of the company stood at Rs.2.66 Cr as on March 31, 2023. However, the fund-based limits remained fully utilized at ~100.00 per cent and non-fund-based limit remained utilized at ~53.00 per cent for six months ended September 2023. Moreover, the working capital management of the company is efficient marked by Gross Current Assets (GCA) of 51 days in FY2023. Acuité believes that going forward the company will maintain adequate liquidity position on account of steady accruals.

### Outlook: Stable

Acuité believes the outlook on BOMPL will remain 'stable' over the medium term backed by experience of its promoters and above average financial risk profile. The outlook may be revised to 'Positive' in case of sustained growth in revenue while achieving significant improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or further elongation in its working capital cycle.

## Other Factors affecting Rating

None.

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	373.94	0.00
PAT	Rs. Cr.	4.33	0.04
PAT Margin	(%)	1.16	0.00
Total Debt/Tangible Net Worth	Times	0.64	3.80
PBDIT/Interest	Times	3.50	1.04

### 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>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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 :

Not Applicable.

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Complexity Level</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BB+   Stable   Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A4+   Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	23.50	ACUITE BB+   Stable   Assigned

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Sakshi Seksaria Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:sakshi.seksaria@acuite.in">sakshi.seksaria@acuite.in</a>	

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.