Press Release
BANSAL ORE AND METALS PRIVATE LIMITED
February 25, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	53.50	ACUITE BB+ | Stable | Reaffirmed	-
Bank Loan Ratings	15.00	-	ACUITE A4+ | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	68.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for the rating
The rating reaffirmation takes into consideration the extensive experience of the promoters of around two decades in the iron and steel industry supported by a healthy capital structure. Further, the rating factors in the moderation in business risk profile of the company owing to the decline in the steel price realisations and lowering of demand in the market. However, the rating is constrained due to the moderate working capital operations marked by full utilisation of the fund-based limits and exposure to inherent cyclicality in the 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 steel bars with an installed capacity of 80,000 MTPA. The company is based in Bhopal, Madhya Pradesh and has its manufacturing facility at Mandideep, Madhya Pradesh. The company has started its production in April 2022. The current directors of the company are Mr. Kunal Bansal and Mr. Kartik Bansal.

Unsupported Rating
Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Strong parentage and experienced management

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.
Acuité believes that the long-standing experience of the management shall continue to benefit the company going forward, resulting in steady growth in the scale of operations.

Moderate financial risk profile
The company's financial risk profile is moderate marked by comfortable tangible net worth of Rs. 54.79 Cr. as on March 31, 2024 as compared to Rs. 46.08 Cr. as on March 31, 2023, owing to accretion of profits to reserves and equity infusion of Rs. 4.29 Cr. by promoters. Further, Acuité has considered unsecured loans of Rs. 25.00 Cr. as on March 31, 2024 as quasi-equity on the basis of undertaking to maintain the amount in the business over the medium term.
Further, the gearing (debt-equity) of the company stood comfortable at 0.88 times as on March 31, 2024 as against 0.64 times as on March 31, 2023. The total debt of the company increased to Rs. 48.03 Cr. in FY24 as against Rs. 29.44 Cr. in FY23 on account of increase in working capital borrowings. However, the debt protection metrics is marked moderate with interest coverage ratio of 2.44 times in FY24 as against 3.50 times in FY23 and debt service coverage ratio of 1.57 times in FY24 as against 2.31 times in FY23.
The financial risk profile is expected to improve further on the back of steady cash accruals and absence of any significant debt funded capex.

Weaknesses

Modest scale of operations and profitability
The revenue of the company stood moderated at Rs. 333.85 Cr. in FY24 as compared to Rs. 373.94 Cr. in FY23. The decline in the revenue pertains to lower realisations owing to the decline in the global steel prices and subdued demand of TMT bars. Moreover, the EBITDA margins stood improved at 4.69 percent in FY24 as against 2.34 percent in FY23 on account of decrease in the input costs. Further, for FY25 the company has clocked a revenue of Rs. 230.89 Cr. till January 31, 2025.
Acuité believes that improvement in the scale of operations and improvement in the profitability margins will remain a key rating sensitivity.

Moderate working capital management
The working capital management of the company is moderate marked by high gross current assets (GCA) of 87 days in FY24 as compared to 51 days in FY23. This was majorly driven by the debtor levels which stood increased at 56 days in FY24 as against 18 days in FY23 to maintain customer relationship in subdued demand market. The company now provides an average credit period of around 60 days to its customers. Further, the creditor days stood at 33 days in FY24 as compared to 37 days in FY23. The company receives an average credit period of around 30-40 days from its suppliers. The inventory days stood at 28 days in FY24 as compared to 27 days in FY23.
Acuité believes that the working capital requirement is likely to deteriorate in the near to medium term owing to the lowering of demand in the steel industry.

Inherent cyclical nature of the steel industry
The company's performance remains vulnerable to cyclicality in the steel sector given the close linkage between the demand for steel products, domestic and global economy. The end-user segments such as real estate, civil construction and engineering also display cyclicality. Further, operating margins are also 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

- Improvement in the operating income and profitability margins
- Elongation of working capital cycle
- Sustenance of healthy capital structure

Liquidity Position
Stretched

The company's liquidity position is stretched marked by the full utilisation of the fund-based limits at ~99.84 per cent for last six months ended January 31, 2025. Further, the current ratio stood low at 1.13 times as on March 31, 2024. However, the company had sufficient net cash accruals of Rs. 7.58 Cr. in FY24 as against maturing long term debt repayment of Rs. 2.40 Cr. over the same period. Going forward, the company is expected to generate net cash accruals of around Rs. 4.00-5.00 Cr. for FY25 & FY26 to repay its debt obligation ranging around Rs. 3.00-3.60 Cr. The unencumbered cash and bank balances of the company stood at Rs. 2.45 Cr. as on March 31, 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	333.85	373.94
PAT	Rs. Cr.	5.42	4.33
PAT Margin	(%)	1.62	1.16
Total Debt/Tangible Net Worth	Times	0.88	0.64
PBDIT/Interest	Times	2.44	3.50

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

Not Applicable

Any other information

Acuité takes note of the ongoing CBI investigation on the directors pertaining to a bribery case on a group company.

Applicable Criteria

- Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
- Rating Process and Timeline: https://www.acuite.in/view-rating-criteria-67.htm
- Manufacturing Entities: 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, Acuité 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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Nov 2023	Letter of Credit	Short Term	15.00	ACUITE A4+ (Assigned)
	Term Loan	Long Term	23.50	ACUITE BB+ | Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE BB+ | Stable (Assigned)

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.	Cash Credit	14 Nov 2022	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BB+ | Stable | Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A4+ | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.65	Simple	ACUITE BB+ | Stable | Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	22 Oct 2020	Not avl. / Not appl.	31 Mar 2029	19.85	Simple	ACUITE BB+ | Stable | Reaffirmed

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About Acuité Ratings & Research

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