



## Press Release

### Shri Bajrang Power & Ispat Limited

March 12, 2021

#### Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Bank Facility – Fund Based – Term Loan	353.02 (reduced from INR372.73 crore)	IVR BBB+/Positive Outlook (IVR Triple B Plus with Positive Outlook)	<b>Rating re-affirmed with revision in outlook</b>
2.	Long Term Bank Facility – Fund Based – Cash Credit	325.00	IVR BBB+/Positive Outlook (IVR Triple B Plus with Positive Outlook)	<b>Rating re-affirmed with revision in outlook</b>
3.	Short Term Bank Facilities – Letter of Credit	175.00	IVR A2 (IVR A Two)	<b>Re-affirmed</b>
4.	Short Term Bank Facilities – Bank Guarantee	45.00	IVR A2 (IVR A Two)	<b>Re-affirmed</b>
	<b>Total</b>	<b>898.02</b>		

#### ***Details of Facilities are in Annexure 1***

#### ***Detailed Rationale***

The aforesaid rating revision to the bank facilities of the entity derives comfort from the Stability in operating performance, comfortable gearing and debt coverage indicators; experienced promoters and eminent board, integrated nature of operations and a diversified product portfolio. However, volatility in raw material prices, exposure to foreign exchange fluctuations and high competition and cyclical nature in the steel industry are the rating constraints.

The outlook has been revised from stable to positive on account of better financial performance during the 9MFY2021 despite the impact of COVID-19 pandemic. The improved profitability is supported by increase in the sales realisation and improved demand in the steel industry.



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### **Key Rating Sensitivities**

#### **Upward factors:**

- Maintaining profitability as projected
- Sustained improvement in debt protection and coverage indicators

#### **Downward factors:**

- Sharp changes in leverage
- Decline in profitability and elongation in operating cycle

### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths**

##### **Stable operating performance, comfortable gearing and debt coverage indicators**

The operating income of the company has grown at the rate of 20.53% CAGR over the past three years which has been supported by the growth in trading sales and sale of electricity, the operations of the company has been growing y-o-y at a stable rate. The absolute EBITDA remains stable at INR328.66 crore with the margin at 12.73% in FY20. The overall gearing ratio of the company continues to be comfortable at 1.13x, the long term debt to equity ratio was also comfortable at 0.69x. The interest coverage ratio stood at 3.09x. Total debt to GCA was comfortable at 3.92x in FY20. Other debt coverage indicators have also been comfortable as is the trend in the last three fiscals.

##### **Experienced promoters and eminent board**

Shri Bajrang Power and Ispat Limited (SBPIL) was promoted by the Goel family in 2002. SBPIL is the flagship company of Raipur based Shri Bajrang group. The group has been in the iron and steel industry since 1991. Promoters have an extensive industry experience of around three decades. The company's Board of Directors comprises ten members (four representing promoter's family, one whole time director and five independent directors). Mr. Suresh Goel is the Chairman of the Board and Mr. Narendra Goel (brother of Mr. Suresh Goel) is the Managing Director of the company. The independent directors of the company are highly qualified, experienced and accomplished professionals, adding credence in the governance of the company.



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### **Integrated nature of operations and diversified product portfolio**

SBPIL is an integrated manufacturer of steel products with a diversified portfolio of long steel products comprising TMT bars, HB wires, wire rods, sponge iron, billets, ferro alloy, MS rounds and iron ore pellets. Products of the company are sold under brand name of “Goel” and find use primarily in infrastructure and construction segments. The company started iron ore mining in 2015 to meet its raw material requirements. Backward integration and fully captive power generation capabilities have resulted in the company minimizing its operating costs.

### **Key Rating Weaknesses**

#### **Volatility in raw material prices**

The major raw materials required by the company are iron ore and coal. SBPIL owns an iron ore mine in Chhattisgarh (though some iron ore requirement is fulfilled externally). The company has tie-up with South Eastern Coal Field Limited for fulfilling its coal requirements. Historically, the cost of these raw materials and steel products have been volatile in nature and hence, profitability margins of the company are susceptible to fluctuation in raw material prices and/or finished products. However, the company has been able to pass on the effect of volatility to the end customers to a certain extent.

#### **Exposure to foreign exchange fluctuations**

As the company imports its raw material requirements and exports account for a miniscule proportion of the total revenue, the company is exposed to foreign currency fluctuation risk. The company has indicated that it generally hedges its entire forex exposure.

#### **High competition and cyclicity in the steel industry**

The Shri Bajrang group operates in Chhattisgarh which is well known for steel & ancillary segment. The company faces stiff competition from both established players in the region as well as from the unorganised sector players due to low level of product differentiation. Also, the steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downturn in the prices. However, the current outlook for the steel industry appears to be good with robust domestic demand.



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### **Analytical Approach: Standalone**

### **Applicable Criteria**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity - Adequate**

The liquidity of the company continues to remain adequate despite the decline in y-o-y profitability as evident from gross cash accruals amounting to INR208.02 crore in FY20 along with cash and bank balances amounting to INR33.85 crore (major portion of the cash and bank balances constitutes margin money amounting to INR32.29 crore); as against short term debt outlays of INR132.23 crore. The company also has a current ratio which is above unity.

### **About the company**

Shri Bajrang Power and Ispat Limited (SBPIL) is a part of the Raipur based Shri Bajrang group established by the Goel family. SBPIL, incorporated in 2002, is the flagship company of the group. The company primarily manufactures long mild steel products like TMT bars, hard bright wires, wire rods, sponge iron, pellets, billets, ferro alloys etc. Products of the company are sold under brand name of "Goel" and find use primarily in infrastructure and construction segments. At present, the company's products are primarily used domestically with minimal exports. The manufacturing facilities of SBPIL is strategically located in central India, near Raipur. The company has three manufacturing facilities at Borjhara, Gondwara and Tilda, all situated in proximity with each other. SBPIL has the leverage of selling its products across different geographies with easy connectivity via road and rail, taking advantage of having its own state of the art railway siding within the company's sprawling premises at Tilda unit. The manufacturing facilities of the company are ISO 9001:2015, ISO 14001:2004 and OHSAS 18001:2007 certified. Operations of the company are fully integrated. The company started iron ore mining in 2015 to meet its raw material requirement of iron ore. The company meets all of its power requirements from captive sources. SBPIL has an installed capacity of 58 MW generated from bio-mass, thermal coal and waste heat recovery.



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### Financials (Standalone)\*:

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
Total Operating Income <sup>1</sup>	1777.61	2578.71	2582.29
EBITDA	272.34	445.11	328.66
PAT	77.60	231.95	148.51
Total Debt	741.16	734.83	814.60
Tangible Net-worth	581.08	813.37	961.83
Adjusted Tangible Net-worth	340.47	572.76	721.22
<b>Ratios</b>			
EBITDA Margin (%)	15.32	17.26	12.73
PAT Margin (%)	4.33	8.91	5.71
Overall Gearing Ratio (x) <sup>2</sup>	2.18	1.28	1.13

1 – Excluding non-operational income

2 – Calculated using adjusted tangible network which factors in the investments in group companies.

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** None

**Any other information:** None

**Rating History for last three years:**

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (PR dated December 23, 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Bank Facility – Fund Based – Term Loan	Long Term	353.02 (reduced from INR372.73 crore)	IVR BBB+/ Positive Outlook	IVR BBB+/ Stable Outlook	--	--
2.	Long Term Bank Facility – Fund Based - Cash Credit	Long Term	325.00	IVR BBB+/ Positive Outlook	IVR BBB+/ Stable Outlook	--	--
3.	Short Term Facility – Non Fund Based – Letter of Credit	Short Term	175.00	IVR A2	IVR A2	--	--
4.	Short Term Facility – Non Fund Based – Bank Guarantee	Short Term	45.00	IVR A2	IVR A2	--	--



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**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Fund Based – Term Loan	NA	NA	Up to 2030	353.02 (reduced from INR372.73 crore)	IVR BBB+/ Positive Outlook
Long Term Bank Facility – Fund Based - Cash Credit	NA	NA	Revolving	325.00	IVR BBB+/ Positive Outlook
Short Term Facility – Non Fund Based – Letter of Credit	NA	NA	Up to 180 days	175.00	IVR A2
Short Term Facility – Non Fund Based – Bank Guarantee	NA	NA	Up to 1 year	45.00	IVR A2