Special Blasts Limited

April 23, 2025

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	67.56	IVR A-; Stable (IVR A Minus with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	149.50	IVR A2+ (IVR A Two Plus)	-	Assigned	Simple
Total	**217.06 (Rupees two hundred and seventeen crore and six lakhs only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Special Blasts Limited (SBL) considers the close operational and financial linkages between SBL Energy Limited (SEL), SBL Overseas Trading LLC (SOTL) and SBL (commonly referred as Special Blast Group). The ratings derive comfort from long track record of operation under experienced promoters with established market position, high entry barriers in the explosives business, thereby limiting competition. The ratings also consider healthy scale of operation, comfortable capital structure with healthy debt protection metrics and receipt of private equity in holding company of SBL. However, these rating strengths are partially offset by vulnerability of profitability to raw materials price fluctuations, regulatory risks as the entire explosives industry are heavily regulated by the Government, large working capital requirement and exposure to customer concentration risk. The 'Stable' outlook reflects that Infomerics believes SBL will continue to benefit from its established operational track record in the sector leading to stable business performance marked by increase in scale of operations.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income, operating margin and cash accrual

- Sustenance of the capital structure with improvement in debt protection metrics on a sustained basis
- Improvement in working capital management with improvement in liquidity

Downward Factors

- Moderation in operating income and/or moderation in cash accrual impacting the debt protection metrics on a sustained basis
- Any unplanned capex and /or deterioration in overall gearing to over 1x
- Stretch in working capital cycle driven by stretch in receivables or sizeable capital expenditure impacting the financial risk profile, particularly liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operation under experienced promoters

Incorporated in 1988, The group has a long and established presence in the industrial explosive industry. Further, Mr Choudhary, the promoter of the group has overall experience of more than three decades in the industry. Moreover, the promoters of the group along with well supported qualified professionals manages day to day operations of the company effectively.

Receipt of private equity in Holding company

The holding company of SBL, i.e. SEL has received Compulsory Convertible Debentures (CCD) worth Rs.325 crore from three investors, Synergy Capital Dubai (Rs.200.00 crore), India SME Investments, Mumbai (Rs.60.00 crore) and Mukul Agarwal (Rs.65.00 crore) which will be converted into equity by March 31, 2026. The CCDs bear an interest rate of is 0.10%, payable at the time of maturity. The receipt of CCDs has significantly improved the liquidity position. The group would utilise the amount for funding the capex and for working capital purposes.

Established market position

The group is among the top players in a highly regulated domestic explosives and detonating fuse industry, backed by its longstanding presence and extensive experience of the promoters.

Business remains supported by high entry barriers and strong relationships with reputed clients such as Coal India Ltd (CIL).

Healthy scale of operation

The topline of the group witnessed an erratic trend over the last three years from FY22 - FY24 [FY refers to the period from April 01 to March 31]; it improved by ~75.5% in FY23 to Rs. 1299.47 crore from Rs.740.43 crore in FY22 mainly driven by higher demand of its manufactured products and increase in average selling price of industrial Explosives and non-electronic detonator during the year attributable to high demand from mining sector with resumption of mining activities post covid period. Despite increase in sales volume of industrial explosives, the same moderated by ~9.76% in FY24 to Rs.1172.62 crore due to decline in sales realisation of industrial explosive. Industrial explosives prices declined in 2024 primarily due to a fall in raw material prices, particularly ammonium nitrate, which is a key ingredient in many explosives. This, coupled with signs of slowing industrial activity in major economies, further contributed to the price decline. The decline in raw material prices has led to a fall in the realization of companies involved in the explosives manufacturing industry. Backed by steady growth in its Total operating income (TOI) underpinned by rise in average sales realization in FY23, the absolute EBITDA has improved, but with increase in cost of production, the EBITDA margin has moderated to 10% in FY23 from 12.47% in FY22. However, despite decline in TOI in FY24, the EBITDA level and margin has improved to 13.04% in FY24. PAT margin moved in line with EBITDA margin and improved to 6.72% in FY24 from 5.91% in FY23. In FY25 (estimated), the group reported a turnover of Rs.1327.35 crore with EBITDA margin of 16.45% and PAT margin of 10.55%.

On a standalone basis in FY24, SBL reported turnover of Rs.649.96 crore, with EBITDA margin of 18.51% and PAT margin of 11.43%.

Comfortable capital structure and healthy debt protection metrics

The capital structure of the group continued to remain comfortable, marked by its comfortable leverage ratios. The overall gearing ratio has remained comfortable at 0.20x (0.67x as on March 31, 2023) as on March 31, 2024. The improvement in capital structure is driven by lower utilisation of bank borrowings as on balance sheet date. Moreover, Total indebtedness of the group marked by TOL/TNW improved and remained comfortable at 0.48x as on March

31, 2024 (1.31x as on March 31, 2023). The debt protection parameters of the company remained comfortable over the years driven by its healthy operating profit level and comfortable gross cash accruals. The interest coverage ratio and the Total debt to GCA improved but remained comfortable at 6.31x in FY24 and 1.48 years as on March 31, 2024 respectively.

High entry barriers in the explosives business, thereby limiting competition

The industrial explosives industry in India is highly regulated by the Government, given the nature of the products, leading to high entry barriers and restrictions on the entry of new players and, thereby, any competition. This has benefited existing players, with the industry being dominated by the top 7-8 players at present.

Key Rating Weaknesses

Vulnerability of profitability to raw materials price fluctuations

The group's major raw materials are pentaerythritol tetranitrate (PETN), ammonium nitrate, aluminium strips, copper wire, galvanised iron (GI) wires, PVC compound, etc. As most of its raw materials are metals and derivatives of oil and gas, the profitability remains vulnerable to adverse movement in raw material prices.

Regulatory risks as the entire explosives industry are heavily regulated by the Government

The explosives industry is heavily regulated, exposing the group's operations to regulatory risks. The nature of the products and their being prone to abuse under the existing atmosphere of violence not only in India, but globally, makes the industry highly sensitive and vulnerable. The Department of Explosives, Government of India, located in Nagpur, Maharashtra, is the licensing authority for overseeing the safety of hazardous materials produced and marketed by the industry. Further, given the nature of the products and their hazardous raw materials, the vulnerability to accidents remains high, despite compliance with all mandated safety requirements.

Large working capital requirement

The operations of the group remained working capital intensive over the years marked by its high gross current asset days of about 232 days in FY24 mainly due to its high average collection period. Realisation from long pending debtors and movement if working capital cycle is a key rating monitorable. The average utilisation of its cash credit limit remained at ~43% in the past 12 months ending Dec 2024 indicating a moderate liquidity buffer.

Exposure to customer concentration risk

The coal mining sector accounts for bulk of the revenue of the explosives industry, with Coal India Limited (CIL) and its subsidiaries directly or indirectly contributing a major portion. CIL has a near monopolistic stature and dominates the coal mining industry. It typically follows the tender based route in placing orders, which encourages price-based competition among players.

Analytical Approach: Combined

Infomerics has combined the business and financial risk profile of SBL, SBL Overseas Trading LLC (SOTL) and SBL Energy Limited (SEL) as SEL had taken the majority holding (~95%) of SBL during FY25. Further, SEL is also the holding company of SOTL. All the three entities are run under a common management, have strong operational and financial linkages and cash flow fungibility. Further, SEL and SBL are explosive manufacturer & SOTL is engaged in trading of ammonium nitrate and explosives. All the three entities are combined and is referred as Special Blast Group (SBL Group) hereafter. The list of companies considered for consolidation are given in **Annexure 4.**

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning rating outlook

Consolidation of companies

Policy of default recognition

Criteria on complexity

Liquidity – Adequate

The liquidity of the company is expected to remain adequate on the back of its expected adequate cash flows. The receipt of the CCDs has significantly improved the liquidity position, and the group has deposited Rs.255 crore as fixed deposits while the balance has been used for working capital purposes. The group had generated adequate cash accrual of around Rs.130.61 Cr in FY24 as against its debt repayment obligation of around Rs.18.38 crore. Further, the group is also expected to generate steady cash accrual in the range of ~Rs.239.51 crore – Rs.277.39 crore over the near medium term against its repayment obligation in the range of~Rs.9.56 – Rs.30.79 crore during FY26-FY28. In addition, on the back of its comfortable capital structure, the group has adequate gearing headroom. Moreover, the average utilisation of its cash credit limit remained at ~51% and ~48% in the past 12 months ended December 2024 for SEL and SBL respectively indicates a satisfactory liquidity buffer.

About the Company

Incorporated in 1988, Special Blasts Limited (SBL) by Mr. B K Gupta and Mr. N Janki Raman, manufactures industrial explosives. In 1993, the company was taken over by its current promoter, Ajay Choudhary. The company mainly manufactures bulk and cartridge explosives.

Incorporated in 2002, SBL Energy Limited (SEL) (formerly, Amin Explosives Pvt Ltd) manufactures commercial explosives and explosion-related accessories like high explosives, bulk explosives, detonating fuse, safety fuse, PETN etc. SEL, based in Nagpur, was taken over by one Choudhary family in fiscal 2016.

Financials (Combined):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	1299.47	1172.62
EBITDA	129.91	152.86
PAT	77.08	79.13
Total Debt	171.41	141.95
Tangible Net Worth	257.08	698.80
Adjusted Tangible Net Worth	257.08	698.80
EBITDA Margin (%)	10.00	13.04
PAT Margin (%)	5.91	6.72
Overall Gearing Ratio (x)	0.67	0.20
Interest Coverage (x)	6.27	6.31

* *Classification as per Infomerics' standards.*

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	842.40	649.96
EBITDA	74.18	120.32
PAT	45.87	74.43
Total Debt	108.83	110.94
Tangible Net Worth	164.48	238.92
Adjusted Tangible Net Worth	164.48	238.92
EBITDA Margin (%)	8.81	18.51
PAT Margin (%)	5.43	11.43
Overall Gearing Ratio (x)	0.66	0.46
Interest Coverage (x)	6.33	9.03

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No	Name of Security/ Facilities	Current Ratings (Year 2025-2026)			Rating History for the past 3 years		
		Type (Long Term/ Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23
					-	-	-
1.	Term Loan	Long Term	3.88	IVR A-; Stable	-	-	-
2.	GECL	Long Term	8.18	IVR A-; Stable	-	-	-
3.	Cash Credit	Long Term	46.20	IVR A-; Stable	-	-	-
4.	WCDL	Long Term	9.30	IVR A-; Stable	-	-	-
5.	Bank Guarantee	Short Term	39.50	IVR A2+	-	-	-
6.	Letter of Credit	Short Term	110.00	IVR A2+	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Aug 2028	3.88	IVR A-; Stable
GECL	-	-	-	Dec 2028	8.18	IVR A-; Stable
Cash Credit	-	-	-	-	46.20	IVR A-; Stable

WCDL	-	-	-	-	9.30	IVR A-; Stable
Bank Guarantee	-	-	-	-	39.50	IVR A2+
Letter of Credit	-	-	-	-	110.00	IVR A2+

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/Len-Special-Blast-23apr25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis:

Name of Company	Extent of Consolidation
SBL Energy Limited (SEL)	Full
SBL Overseas Trading LLC (SOTL)	Full
Special Blasts Limited (SBL)	Full

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.