



Press Release

Bhagyalaxmi Rolling Mill Private Limited

March 21, 2023

Ratings

Instrument/Facility	Amount (Rs Cr.)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	666.75	IVR A-/ Stable (IVR Single A Minus with Stable Outlook)	Assigned	Simple
Long Term/ Short Term Bank Facilities	130.00	IVR A-/ Stable/ IVR A2+ (IVR Single A Minus with Stable Outlook and IVR A Two Plus)	Assigned	Simple
Total	796.75 (Seven Hundred and Ninety Six Crore and Seventy Five Lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Bhagyalaxmi Rolling Mill Private Limited (BRMPL) derives comfort from the experienced promoters and competent management team, significant improvement in total operating income and profits in FY22, comfortable capital structure with satisfactory debt coverage metrics in FY22, satisfactory liquidity position and operating cycle, and locational advantage associated with the Company's operation. These rating strengths are partially offset by the volatility in input and output prices and hindrances posed by Government regulations, negative impact on the capital structure and debt coverage indicators in the near term due to capex connected with the upcoming expansion project, and the Company's presence in highly fragmented and competitive industry.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in scale of operations, profitability and cash accruals.
- Sustained improvement in capital structure and debt coverage indicators.



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Downward Factors

- Any significant cost and time overrun in the proposed capacity expansion plan.
- Steady deterioration in working capital cycle.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and competent management team**

Bhagyalaxmi Rolling Mill Private Limited (BRMPL) was founded by Mr. Vishal K Agarwal, Mr. Nitin Kabra, and Mr. Shivshankar Khichade in 2004 and each of them on an average have 15-20 years of experience in the steel industry. The promoters are ably assisted by the COO, Mr. Praveen Goyal, who has been associated with the Company since its inception. The key departments of Sales, Purchase, and Finance are also ably handled by competent professionals who have been with the Company for many years. The experience of the promoters and the competency of the management team have helped the Company to navigate its path through various ups and downs.

- **Significant improvement in total operating income and profits in FY22**

The operating income of the Company increased by ~57% YoY between FY21 and FY22 (TOI was INR1098.26 crore in FY21 and INR1720.37 crore in FY22). That was primarily because of increased demand of all steel products coupled with substantial increase in their realisations. The EBITDA in absolute term, however, increased by ~20% from INR93.02 crore in FY21 to INR111.43 crore in FY22, primarily because of raw material cost pressures. Owing to similar level of depreciation and interest cost in FY21 and FY22, and reduced effective tax rate, the PAT improved by ~80% YoY from INR20.36 crore in FY21 to INR36.64 crore in FY22. As a consequence of higher PAT, the gross cash accruals (GCA) of the Company improved from INR59.23 crore in FY21 to INR69.98 crore in FY22. While the EBITDA margin dropped from 8.47% in FY21 to 6.48% in FY22, the PAT margin improved from 1.85% in FY21 to 2.13% in FY22. The 9MFY23 provisional results are also alright. While TOI increased by 5.19% YoY to INR1266.82 crore compared to 9MFY22, PAT increased by 13.71% YoY to INR29.85 crore compared to 9MFY22.

- **Comfortable capital structure with satisfactory debt coverage metrics in FY22**



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The total debt of the Company decreased from INR276.96 crore on March 31, 2021 to INR256.11 crore on March 31, 2022 – this was primarily attributable to decrease in long term debt, which decreased from INR143.88 crore on March 31, 2021 to INR121.97 crore on March 31, 2022. The long term debt equity ratio on adjusted net worth improved from 0.62x on March 31, 2021 to 0.46x on March 31, 2022. The overall gearing ratio on adjusted net worth improved from 1.20x on March 31, 2021 to 0.96x on March 31, 2022. The interest coverage ratio marginally improved, as a consequence of improved profits and reduced debt, changing from 3.23x in FY21 to 4.05x in FY22. The DSCR improved from 2.09x in FY21 to 2.20x in FY22 while the TOL/TNW(Adjusted) improved from 1.52x on March 31, 2021 to 1.27x on March 31, 2022.

- **Satisfactory liquidity position and operating cycle in FY22**

The current ratio was maintained at around 1.52x on March 31, 2021 and March 31, 2022. The quick ratio improved from 0.90x on March 31, 2021 to 0.97x on March 31, 2022. The Company's collection period improved from 33 days in FY21 to 23 days in FY22. The inventory days improved from 37 days in FY21 to 29 days in FY22 while the creditor days decreased from 7 days in FY21 to 4 days in FY22. These led to the change in operating cycle from 63 days in FY21 to 48 days in FY22. The average utilisation of fund based working capital limits was low at around 62% between January 2022 and December 2022.

- **Locational advantage associated with the Company's operation**

The location of Jalna is such that the next nearest manufacturing hub of TMT from it is 400 kms to 600 kms away. Hence, Jalna covers Maharashtra and adjoining areas of Gujarat, Madhya Pradesh, and Telangana. Currently, due to heavy infrastructure activity taking place in Maharashtra, majority of the TMT bars are sold in that state. Further, the recently inaugurated Mumbai Nagpur Samruddhi Mahamarg connects more than 11 districts of Maharashtra and it is just 11km away from BRMPL's plant, thus aiding BRMPL's connectivity with various distributors spread across Maharashtra immensely.

Key Rating Weaknesses

- **Volatility in input and output prices and hindrances posed by Government regulations**



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The prices of key raw materials of BRMPL are very volatile in nature and so are the prices of its end product, i.e., TMT Bars. The disproportionate changes in the raw material prices compared to the finished goods prices over the last few decades plus the lag effect of passing on increased prices of raw materials to finished goods lead to the spreads or operating margins becoming negative in downturns. Further, demand weakness is also witnessed in downturns, affecting the operating margin negatively again because of lower fixed cost absorption. Keeping these things aside, adverse changes in Government regulations from time to time, particularly with regard to export of steel and import of raw materials may impact the sector and the Company negatively going forward.

- **Capex connected with the upcoming expansion project will negatively impact the capital structure and debt coverage indicators in the near term**

BRMPL has planned a capex of INR452 crore in FY23 and FY24 which will be partly funded by debt to the tune of INR318 crore. While the medium to long term prospects are bright due to this capex as annual installed capacity of TMT Bars would increase from the current level of 3,84,000MT to 5,86,000MT and there is ample room in the market to absorb BRMPL's increased production, in the near term the capital structure and debt coverage indicators would get negatively impacted. Infomerics would continue to monitor the evolving situation due to the proposed capex.

- **Presence in highly fragmented and competitive industry**

The steel industry is essentially commoditised and the industry is highly fragmented with the presence of innumerable players across India, which gives rise to intense competition. Hence, profit margins in this industry are rangebound and so are the return ratios.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Adequate



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The Company had a comfortable current ratio of 1.53x as on March 31, 2022. Current ratio is expected to remain between 1.50x and 1.65x in FY23-25. The GCAs of each of the years between FY23 and FY25 should comfortably cover the debt repayments due in the respective years. The Operating Cycle was comfortable at 48 days in FY22, it is expected to remain within 48-51 days in FY23-25. The average utilisation of fund based working capital limits was low at around 62% between January 2022 and December 2022. Capex of INR452 crore is planned for FY23 and FY24 and it will be funded primarily through debt to the tune of INR318 crore. Quasi Equity on the balance sheet will be INR54.66 on March 31, 2023 and it shall increase further to INR63.75 crore on March 31, 2024 and March 31, 2025. The promoters are resourceful enough to bring in further money from their individual net worth, if necessary.

About the Company

BRMPL is primarily into the manufacturing of TMT Bars, which it classifies as QST Bars, of various dimensions. TMT Bars are marketed under the brand 'Polaad', which literally means 'strongest' in Marathi. Besides selling TMT Bars, the Company also sells excess billets in the market from time to time. Vast majority of the sales happen in Maharashtra and the end customer is generally an individual house builder in a rural area/ small town of Maharashtra. The key raw materials, i.e., scrap, and sponge iron, are purchased from various suppliers in the market, and the end product – TMT Bars are sold through distributors across Maharashtra, many of whom are the exclusive distributors of Polaad TMT Bars.

Financials (Standalone):

For the year ended* / As on	INR Crores	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	1098.26	1720.37
EBITDA	93.02	111.43
PAT	20.36	36.64
Total Debt	276.96	256.11
Tangible Net worth (Adjusted)	230.22	266.97
EBIDTA Margin (%)	8.47	6.48
PAT Margin (%)	1.85	2.13



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Overall Gearing ratio (Adjusted) (X)	1.20	0.96
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**Classification as per infomerics' standards*

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loans	Long Term	118.39	IVR A-/ Stable	-	-	-
2.	Proposed Term Loans	Long Term	318.36	IVR A-/ Stable	-	-	-
3.	Cash Credit Limits	Long Term	160.00	IVR A-/ Stable	-	-	-
4.	Proposed Cash Credit	Long Term	70.00	IVR A-/ Stable	-	-	-
5.	Letter of Credit	Long Term/ Short Term	30.00	IVR A-/ Stable/ IVR A2+	-	-	-
6.	Bank Guarantee	Long Term/ Short Term	52.50	IVR A-/ Stable/ IVR A2+	-	-	-
7.	Proposed Bank Guarantee	Long Term/ Short Term	47.50	IVR A-/ Stable/ IVR A2+	-	-	-

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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India



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registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
Term Loan 1	-	-	September 2027	13.54	IVR A-/ Stable
Term Loan 2	-	-	October 2024	0.87	IVR A-/ Stable
Term Loan 3	-	-	July 2027	23.82	IVR A-/ Stable
Term Loan 4	-	-	June 2027	17.54	IVR A-/ Stable



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Term Loan 5	-	-	July 2027	62.62	IVR A-/ Stable
Proposed Term Loan	-	-	-	318.36	IVR A-/ Stable
Cash Credit 1	-	-	-	55.00	IVR A-/ Stable
Cash Credit 2	-	-	-	40.00	IVR A-/ Stable
Cash Credit 3	-	-	-	5.00	IVR A-/ Stable
Cash Credit 4	-	-	-	30.00	IVR A-/ Stable
Cash Credit 5	-	-	-	30.00	IVR A-/ Stable
Proposed Cash Credit	-	-	-	70.00	IVR A-/ Stable
Letter of Credit	-	-	-	30.00	IVR A-/ Stable/ IVR A2+
Bank Guarantee 1	-	-	-	41.00	IVR A-/ Stable/ IVR A2+
Bank Guarantee 2	-	-	-	11.50	IVR A-/ Stable/ IVR A2+
Proposed Bank Guarantee	-	-	-	47.50	IVR A-/ Stable/ IVR A2+

Annexure 2: List of companies considered for consolidated analysis: NA

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Bhagyalaxmi-mar23.pdf>

Annexure 4: Detailed explanation of covenants of the rated facilities: Not Applicable.

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.