



Press Release

Blackrock Steel & Power Private Limited

November 19, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facility (including proposed limit of Rs. 5.00 crore)	33.50 (enhanced from 29.20)	IVR BBB-; Stable (IVR Triple B minus with stable outlook)	IVR BB+; Stable (IVR Double B plus with stable outlook)	Upgraded	Simple
Total	33.50 (Rupees thirty- three crore and fifty lakh 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 upgradation of the rating assigned to the bank facilities of Blackrock Steel & Power Private Limited (BSPPL) considers improvement in the business performance of the company in H1FY25 [FY refers to the period from April 1 to March 31]. Further, the rating continues to derive comfort from its experienced promoters and comfortable debt protection metrics of the company. However, these rating strengths are partially offset by its short track record of operation, susceptibility of profitability to fluctuation in raw material prices, revenue concentration risk, leveraged capital structure, exposure to competitive nature of the industry and exposure to cyclical nature in the steel industry.

Key Rating Sensitivities:

Upward Factors

- Growth in revenue with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- Reduced dependence on Shri Kuber Industries (SKI) and diversification in customer profile
- Sustenance of the capital structure with improvement in overall gearing ratio to below 1x and/or improvement in debt protection metrics on a sustained basis



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Downward Factors

- Moderation in scale of operations and/or moderation in profitability on a sustained basis
- Withdrawal of subordinated unsecured loan of Rs.4.35 crore and/or any unplanned capex leading to moderation in the capital structure with deterioration in overall gearing to over 2.5x and/or impairment in debt protection metrics marked by moderation in interest coverage ratio to below 2x
- Elongation in the working capital cycle leading to deterioration in the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

The current promoters of the company are Mr. Pushpak Tantia, Mr. Jiwan Garg, Mr. Swapnil Garg and Mr. Jitesh Garg. Mr. Jiwan Garg has an experience of more than 15 years in the iron and steel industry and looks after the overall purchase and procurement of the company. The other promoters of the company, Mr. Pushpak Tantia, Mr. Swapnil Garg and Mr. Jitesh Garg, have experience of more than six years in the iron and steel industry and looks after accounts & finance, production planning and sales & marketing of the company along with adequate support from team of experienced professionals.

- **Comfortable debt protection metrics**

The debt protection metrics of the company remains comfortable as indicated by the interest coverage of 3.51x as on March 31, 2024. Further, Total debt to EBITDA and Total debt to NCA also stood moderate at 3.32x and 4.92 years respectively in FY24. Moreover, interest coverage further improved and stood at 4.21x as on September 30, 2024.

Key Rating Weaknesses

- **Short track record of operation**

BSPPL started operation from March 2023, hence it has short track record of operation of around one year and three months only. However, the promoters have good business experience which mitigated the business risk to an extent. In the first full year of operation, BSPPL achieved total operating income of Rs.349.43 crore with EBITDA margin of 2.35% in FY24 and PAT margin of 1.21%. Further, during H1FY25, BSPPL has posted a PBT of Rs.2.88 crore on a revenue of Rs.196.62 crore.

- **Susceptibility of profitability to fluctuation in raw material prices**



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The price of steel is volatile in nature and the same exposes the company to input price fluctuation risk. Furthermore, billet prices are showing an increasing trend. Hence, the margins are susceptible to the volatility in the input prices.

- **Revenue concentration risk**

BSPPL is operating as a backward integration unit of M/s Shri Kuber Industries (SKI). The main finished product of BSPPL is MS Strips which is the main raw material used by SKI for manufacturing of its finished product which is MS pipes. In FY24, ~61% of total sales of BSPPL is made to SKI. Dependence on single customer also exposes the company to revenue concentration risk.

- **Leveraged capital structure**

The debt profile of the company comprises term loan and cash credit limit. The capital structure of BSPPL remains leveraged as on March 31, 2024, with overall gearing of 1.95x (after considering USL from promoters and relatives as quasi equity). However, total indebtedness of the company marked by TOL/TNW stood satisfactory at 2.54x as on March 31, 2024. Further, TOL/TNW though moderated continues to stand satisfactory at 2.87x as on September 30, 2024.

- **Exposure to intense competition**

The fragmented nature of the secondary steel industry and intense competition from other organised as well as unorganised players restricts the pricing power of the company and is also likely to keep its margins of the company under check going forward.

- **Exposure to cyclicity in the steel industry**

The domestic steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including BSPPL.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)



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Liquidity – Adequate

The liquidity profile of BSPPL is expected to remain adequate in the near term as the company is expected to generate adequate gross cash accruals of around Rs. 5.78 -Rs. 7.37 crore to serve its debt obligations of Rs.1.20 to Rs.2.00 crore during FY25-FY27. In FY24, the company has generated gross cash accruals of Rs.5.55 crore as against its debt obligation of Rs.0.80 crore. Moreover, the average fund-based utilization of the company remains moderate at ~69% during the past 12 months ended in October 2024 indicating limited liquidity cushion for the company.

About the Company

Blackrock Steel and Power Private Limited (BSPPL) was incorporated on January 10, 2020, by Garg family of Raipur, Chhattisgarh for the purpose of setting up a manufacturing of iron and steel plant. BSPPL commenced commercial operation from March 2023 and since then is engaged in manufacturing of M.S. Strip with an installed capacity of 120,000 MTPA. The manufacturing facility of the company is located in Raikheda, Dist Raipur, Chhattisgarh. The promoters of the company are Mr. Pushpak Tantia, Mr. Jiwan Garg, Mr. Swapnil Garg and Mr. Jitesh Garg.

Financials (Standalone):

For the year ended / As on*	(Rs. Crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	9.08	349.43
EBITDA	0.28	8.22
PAT	0.01	4.22
Total Debt	11.86	27.32
Tangible Net worth	5.51	9.73
Adjusted Tangible Net Worth	8.75	14.02
EBITDA Margin (%)	3.10	2.35
PAT Margin (%)	0.08	1.21
Overall Gearing Ratio	1.36	1.95
Interest Coverage (x)	12.41	3.51

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					June 04, 2024		
1.	Term Loan	Long Term	9.00	IVR BBB-; Stable	IVR BB+; Stable		
2.	Cash Credit	Long Term	19.50	IVR BBB-; Stable	IVR BB+; Stable		
3.	Proposed Cash Credit	Long Term	5.00	IVR BBB-; Stable	-		

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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.

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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	-	-	-	Mar 2029	9.00	IVR BBB-; Stable
Cash Credit	-	-	-	-	19.50	IVR BBB-; Stable
Proposed Cash Credit	-	-	-	-	5.00	IVR BBB-; Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-BlackrockSteel-nov24.pdf>

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

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