



## Press Release

### Blackrock Steel & Power Private Limited

June 04, 2024

#### Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	29.20	IVR BB+; Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
<b>Total</b>	<b>29.20</b> <b>(Rupees twenty-nine crore and twenty lakh only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of Blackrock Steel & Power Private Limited (BSPPL) derives 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 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

##### 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.



## Press Release

### 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 3.13x in FY24 (Prov.). Further, Total debt to EBITDA and Total debt to NCA also stood moderate at 3.35x and 5.08 years respectively as on March 31, 2024 (Prov.).

#### 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 mitigates the business risk to an extent. In its first full year of operation BSPPL achieved total operating income of Rs.349.62 crore with EBITDA margin of 2.34% in FY24 (Provisional).

##### Susceptibility of profitability to fluctuation in raw material prices

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



## Press Release

The capital structure of BSPPL remains leveraged as on March 31, 2024 (provisional) with overall gearing of 1.96x (after considering USL Rs.4.35 crore from promoters and relatives as quasi equity). Moreover, total indebtedness of the company marked by TOL/TNW also remained moderate at 3.70x as on March 31, 2024 (Prov.).

### **Exposure to competitive nature of the industry**

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](#)

### **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.5.52 -Rs.6.45 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.5.39 crore as against its debt repayment obligation of Rs.0.80 crore. Moreover, the average fund-based utilization of the company remains moderate at ~70% during the past 12 months ended in March 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



## Press Release

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):

		(Rs. Crore)
For the year ended / As on		31-03-2023
		Audited
Total Operating Income		9.08
EBITDA		0.28
PAT		0.01
Total Debt		11.86
Tangible Net worth		5.51
Adjusted Tangible Net worth		8.75
EBITDA Margin (%)		3.10
PAT Margin (%)		0.08
Overall Gearing Ratio		1.36
Interest Coverage (x)		12.41

\*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 Instrument/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 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	9.70	IVR BB+; Stable	-	-	-
2.	Cash Credit	Long Term	19.50	IVR BB+; Stable	-	-	-

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### About Infomerics:



## Press Release

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.

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.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	Mar 2029	9.70	IVR BB+; Stable
Cash Credit	-	-	-	19.50	IVR BB+; Stable

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable.

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Blackrock-jun24.pdf>



## Press Release

**Annexure 4: Detailed explanation of covenants of the rated instrument/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](http://www.infomerics.com).

