



Press Release

Shri Bajrang Alliance Limited (SBAL)

February 22, 2024

Ratings

Instrument Facility /	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	42.94	IVR BBB/ Negative (IVR Triple B with Negative Outlook)	Reaffirmed and Outlook revised to Negative from Stable	Simple
Short Term Bank Facilities	9.00	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	51.94 (Rupees Fifty One crore and Ninety Four lakh Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has revised SBAL's outlook to 'Negative' from 'Stable', while reaffirming the ratings to the bank loan facilities.

The Negative Outlook reflects EBITDA losses for two consecutive quarters ended December 23 and lack of visibility on turnaround the operating performance at EBITDA level.

The reaffirmation of the ratings continue to reflect being a part of strong group, linkages with strong group company i.e. Shri Bajrang Power & Ispat Limited (SBIPL, IVR A/Stable/IVR A1), stable credit profile with lower debt. However, the ratings are constrained by large corporate guarantees given to group companies, EBITDA losses for two consecutive quarters, cyclicity in steel industry and volatile food grain prices and thin margins.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in profitability while maintaining the current credit profile.

Downward Factors



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- Inability to turnaround the operating profitability
- Weakening of linkages with SBIPL and/or weakening of credit profile of SBIPL
- Any further corporate guarantees to any other group companies.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Stable revenue growth during FY23 and 9MFY24**

SBAL has reported revenue growth of 204.14% on y-o-y basis to Rs.523.73 crore in FY23; while during 9MFY24, SBAL has achieved revenue of Rs.343.39 crore, a growth of around 111% as compared to 9MFY23. This growth is driven by a significant increase in trading activities of food division (9MFY24: Rs.82.32 crore, FY23: Rs.70.13 crore, FY22: Rs.44.17 crore) and steel division (9MFY24: Rs.261.05 crore, FY23: Rs.453.61 crore and FY22: Rs.126.53 crore).

- **Extensive experience of promoters with an established presence in steel industry**

SBAL was promoted by the Goel family in 1990. The promoters have an extensive industry experience of around three decades in the Steel Industry and has other steel manufacturing company namely Shri Bajrang Power and Ispat Limited (SBPIL) (rated IVR A/Stable/A1). Mr Anand Goel is the Managing Director of the company accompanied by Mr Narendra Goel (Director) and Mr. Archit Goel (Director) are highly qualified, experienced and accomplished professionals, adding credence in the governance of the company.

- **Linkages with group companies**

SBAL has operational linkages with SBPIL, the flagship company of Goel Group, for sourcing of raw materials. Additionally, SBPIL has given undertaking to provide liquidity support to SBAL.

Key Rating Weaknesses

- **Weak operating Profitability**



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SBAL EBITDA margins remained thin and declined on y-o-y basis to 2.09% in FY23 (FY22: 5.31%) due to lower profitability in food division. Further, during the last two quarters i.e. 2QFY24 and 3QFY24 SBAL has reported EBITDA losses due to losses at food division. However, for 9MFY24, SBAL has reported EBITDA margins of 0.71%. As per management, the losses are due to volatility in prices of toor dal. However, as per management SBAL is focusing on steel division to improve its profitability. Ability to improve EBITDA margins will be key credit monitorable.

- **Moderate capital structure**

SBAL's debt protection metrics in terms overall gearing and TOL/TNW remained moderate and at 1.04x and 2.25x respectively at the end of FY23 (FY22:0.9x and 1.11x respectively). Overall gearing has increased marginally due to increased in short term borrowings; and TOL/TNW has increased due to increased in customer advances. As per management, as on 31st December 23, SBAL does not have any debt and total tangible net worth of Rs.52.66 crore.

- **Significant corporate guarantees to group companies:**

SBAL has given corporate guarantees of Rs.2102.35 crore out of which Rs.1,881.21 crore to SBPIL and remaining to Shri Bajrang Chemical Distillery LLP (SBCDL, IVR BBB-/Stable). However, Infomerics believes that these guarantees are unlikely to get crystallised as SBIPL has strong credit profile and SBCDL is supported by promoters from time to time for its increase in project cost. Infomerics also derives comfort due to strong group support in case of liquidity crunch in any of the group company.

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

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.

Analytical Approach: Standalone



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Applicable Criteria:

[Policy on Default Recognition](#)

[Criteria of assigning Rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

[Parent & Group Support](#)

For arriving at the rating, INFOMERICS has considered the parent/ group support approach based on the financial support from its group/ associate company namely, SBPIL, the flagship company of the Goel Group, factoring the strategic importance and strong moral obligations extended to SBAL.

Liquidity – Adequate

The liquidity of the company is expected to remain adequate in the near to medium term marked by its expected sufficient cash accruals as against nil debt repayment obligations. Further, the company has adequate gearing headroom on the back of its conservative capital structure.

About the Company

SBAL is one of the largest structural Rolling Mill in the state of Chattisgarh since its incorporation in the year 1990 overseen by Goel Group. The company has two main division – Steel Manufacturing and Food Division. The Steel Manufacturing unit has an annual rolling capacity of 60,000 MT; equipped with furnace and conveyor tables, these modern installations have helped the company to reduce their turnaround time. The food division incorporated in 2020, this marks the group's first foray into foods business through 100% vegetarian frozen food products. Their manufacturing facility located at Raipur has an installed capacity of 6600 tons per annum with a cold storage facility which has a capacity of 500 tons below -18 degrees Celsius.

Financials (Standalone)*:

	(Rs. Crore)	
For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	170.70	523.73



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For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
EBITDA	9.06	10.96
PAT	3.78	5.51
Total Debt	41.37	54.16
Tangible Net worth	45.92	52.11
EBITDA Margin (%)	5.31	2.09
PAT Margin (%)	2.19	1.05
Overall Gearing Ratio (times)	0.90	1.04

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last three years:

S. No	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (February 8, 2023)	Date(s) & Rating(s) assigned in 2021-22 (March 12, 2022)	Date(s) & Rating(s) assigned in 2020-21 (November 13, 2021)
1.	Fund Based Bank Facility – Term Loans	Long Term	10.79	IVR BBB/ Negative	IVR BBB/ Stable	IVR BBB-/ Stable	IVR BB+; INC *
2.	Fund Based Bank Facility – Cash Credit	Long Term	32.15	IVR BBB/ Negative	IVR BBB/ Stable	IVR BBB-/ Stable	IVR BB+; INC
3.	Fund Based Bank facility - Bill discounting under LC	Short Term	8.00	IVR A3+	IVR A3+	IVR A3	IVR A4+; INC
4.	Non-Fund Based Bank Facility –	Short Term	1.00	IVR A3+	IVR A3+	IVR A3	IVR A4+; INC



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	Bank Guarantee						
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* ISSUER NOT COOPERATING

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About Infomerics:

Infomerics Valuation and Rating Private Limited (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 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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assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based Bank Facility – Term Loans	–	–	Upto 2025	10.79	IVR BBB/ Negative
Fund Based Bank Facility – Cash Credit	–	–	–	32.15	IVR BBB/ Negative
Fund Based Bank facility - Bill discounting under LC	–	–	–	8.00	IVR A3+
Non-Fund Based Bank Facility – Bank Guarantee	–	–	–	1.00	IVR A3+

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Bajrang-Alliance-feb24.pdf>

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.