

Press Release**M/s Balajee Ispat Udyog****July 03, 2019****Ratings**

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Cash Credit (Proposed)	15.00	IVR BB / Stable Outlook (IVR Double B with Stable Outlook)	Assigned
Total	15.00		

Details of Facilities are in Annexure 1**Detailed Rationale**

The aforesaid rating assigned to the bank facilities of M/s Balajee Ispat Udyog (BIU) derives comfort from its experienced partners and operational synergies with its group company Hindupur Steel and Alloys Private Limited. However, the rating is constrained by its nascent stage of operations with partnership nature of constitution. Further, the rating is also tempered by volatility in the prices of raw materials and finished goods, intense competition and cyclicity in the steel industry. Ability to successfully scale up operations with increase in profitability, improvement in gearing ratios and efficient working capital management are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description**Key Rating Strengths****Experienced partners**

Mr. Ganesh Kumar Agrawal and Mr. Nittin Aggarwal are the managing partners of Balajee Ispat Udyog (BIU) who looks after the day to day operations. The partners have vast experience in the steel industry through their association with the Group company Hindupur Steel and Alloys Private Limited (HSAPL) in which they are the Directors. HSAPL is engaged in manufacturing of TMT in Mild Steel Ingots and TMT bars with an annual installed capacity of 30,000 MT and 100,000 MT per annum, respectively. HSAPL's plant is located at Anantapur, District Hindupur, Andhra Pradesh.

Operational synergies with Hindupur Steel and Alloys Private Limited

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BIU and HSAPL have common promoters who oversee the operations of both the entities. The synergies are obtained from same line of business and the ability of the promoter to allocate common resources as per pressing needs among the two entities.

Key Rating Weaknesses

Nascent stage of operation

BIU commenced its operation from June, 2019 and hence, it is at a very nascent stage of operation and will take time to stabilise its operations.

Partnership nature of constitution

Being a partnership firm, BIU is exposed to inherent risk of withdrawal of capital and less regulatory compliances.

Volatility in the prices of raw materials and finished goods

The price of steel has seen a lot of volatility over the last three years. The costs of raw materials and finished goods are volatile in nature and hence, profitability of the firm is susceptible to fluctuation in the prices of its raw material prices and/or its finished goods.

Highly competitive & fragmented nature of industry

The spectrum of the steel industry in which the firm operates is highly fragmented and competitive due to presence of numerous players in India owing to relatively low entry barriers. Hence, the players in the industry do not have pricing power and are exposed to the prices fixed by the industry giants.

Cyclical nature in Steel Industry

The steel industry is highly cyclical. Steel prices fluctuate based on macro-economic factors, including, amongst others, consumer confidence, employment rates, interest rates and inflation rates, general levels of infrastructure activities in the region of sale, etc. Adverse volatility in steel prices will have an adverse effect on BIU's performance in view of its direct linkage to the fortunes of Steel industry. However, the outlook for the steel industry in the short to medium term appears to be good as the steel prices have hardened in the recent past, coupled with robust demand in the domestic market.

Analytical Approach: Standalone

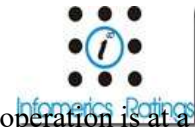
Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

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The firm has started its commercial operations from June, 2019 and hence, its operation is at a nascent stage. Hence, the liquidity is largely dependent on support from the partners. However, the comfort can be derived from the fact that the firm has no debt repayment obligation in near term along with no near-term capex plans.

About the Company

M/s Balajee Ispat Udyog (BIU) was established as a partnership firm by brothers, Mr. Ganesh Kumar Agrawal and Mr. Nittin Aggarwal. Both the partners have adequate experience in the steel industry through their association with Group company Hindupur Steel and Alloys Private Limited (HSAPL) in which they are the Directors. Incorporated in 2009, HSAPL is engaged in manufacturing of Mild Steel Ingots and TMT bars with an annual installed capacity of 30,000 MT and 100,000 MT per annum, respectively.

In order to extend their manufacturing operations further, Mr. Ganesh Kumar Agrawal and Mr. Nittin Aggarwal has taken a steel manufacturing unit situated at Bellary, Karnataka on lease for a period of three years with a renewal clause for manufacturing of TMT Bars. The plant is well-equipped with all the necessary production machinery, induction rolling mill with re-heating furnace with an annual production capacity of 75,000 MT per annum of TMT bars. The commercial operations have been started from June, 2019 to produce 36,000 MT per annum of TMT bars.

Financials (Standalone):

Not Applicable since operations commenced from June, 2019

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Cash Credit (Proposed)	Long Term	15.00	IVR BB / Stable Outlook	-	-	-

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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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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
Long Term Bank Facilities – Cash Credit (Proposed)	-	-	-	15.00	IVR BB / Stable Outlook