



Press Release

Shri Bajrang Alliance Limited (SBAL)

May 10, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Cash Credit	25.00	IVR BBB/ Negative (IVR Triple B with Negative Outlook)	Assigned	Simple
Total	25.00 (Rupees Twenty Five crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of SBAL reflects linkages of SBAL with its group company i.e. Shri Bajrang Power & Ispat Limited (SBIPL, IVR A/Stable/IVR A1) and consistent growth in revenues. However, the ratings are constrained by corporate guarantees given to group companies, weak profitability, cyclicity in steel industry and volatile food grain prices and thin margins.

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.

Key Rating Sensitivities:

Upward Factors

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

Downward Factors

- Inability to turnaround the operating profitability
- Weakening of linkages with SBIPL and/or weakening of credit profile of SBIPL

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- Stable revenue growth during FY23 and 9MFY24



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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).

- **Experienced promoters with an established presence in steel industry**

SBAL was promoted by the Goel family in 1990. The promoters have extensive industry experience of around three decades in the Steel Industry and have 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**

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**



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SBAL's debt protection metrics in terms of 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 increase in short term borrowings; and TOL/TNW has increased due to increase in customer advances.

- **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

Applicable Criteria:

[Policy of 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 SBAL remains adequate marked by the sufficient cash accruals as against minimal nil repayment obligations during FY25 and FY26. With no major capex and repayment obligations likely to be low as against the envisaged cash accruals, the liquidity is expected to remain adequate through FY25-FY26. The free cash and cash equivalents balance stood at Rs.0.15 crore as on March 31, 2023, while average working capital utilisation for the 12



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months ended November 2023 remained comfortable at 27%. Current ratio stood at 1.06x as on March 31, 2023.

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
EBITDA	9.06	10.96
PAT	3.78	5.51
Total Debt	41.37	54.16
Tangible Networth	45.92	52.11
Ratios		
EBITDA Margin (%)	5.31	2.09
PAT Margin (%)	2.19	1.05
Overall Gearing Ratio (x)	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:

	Current Rating (Year 2024-25)	Rating History for the past 3 years



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S . N o	Name of Instrument/ Facilities	Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 (April 30, 2024)	Date(s) & Rating(s) assigned in 2023-24 (February 22, 2024)	Date(s) & Rating(s) assigned in 2022-23 (February 8, 2023)	Date(s) & Rating(s) assigned in 2021-22 (March 12, 2022)
1.	Long Term Bank Facilities – Cash Credit	Long Term	25.00	IVR BBB/ Negative	--	--	--	--
2.	Long Term Bank Facilities	Long Term	--	--	Withdrawn	IVR BBB/ Negative	IVR BBB/ Stable	IVR BBB-/ Stable
3.	Short Term Bank Facilities	Short Term	--	--	Withdrawn	IVR A3+	IVR A3+	IVR A3

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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.



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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. Crore)	Rating Assigned/ Outlook
Cash Credit	–	–	--	25.00	IVR BBB/ Negative

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-may24.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.