



Press Release

Shri Bajrang Power & Ispat Limited (SBPIL)

May 02, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – Cash Credit	525.00	IVR A/ Stable (IVR A Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities – Term Loan	123.53	IVR A/ Stable (IVR A Stable Outlook)	Assigned	Simple
Short Term Bank Facilities – Bank Guarantee	975.00	IVR A1 (IVR A One)	Reaffirmed	Simple
Long Term Bank Facilities	-	-	Withdrawn *	Simple
Short Term Bank Facilities	-	-	Withdrawn *	Simple
Total	1,623.53 (Rupees One Thousand Six Hundred Twenty Three crore and Fifty Three lakh Only)			

* The above action has been taken at the request of SBPIL and 'No dues certificate' received from the banks who have extended the facilities, and which is rated by Infomerics. SBPIL has fully repaid the bank facilities rated by Infomerics and there is no amount outstanding under the facility as on date. The rating is withdrawn in line with Infomerics policy of Withdrawal of rating.

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed the ratings assigned to the bank facilities of SBPIL continue to derive strength from stable revenue growth, healthy financial risk profile, experienced promoters in the steel industry and integrated nature of operations and diversified product portfolio. However, these rating strengths are partially offset by significant decline in profitability in FY23,



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exposed to volatility in raw material prices, exposure to foreign exchange fluctuations and high competition and cyclical nature in the steel industry.

Key Rating Sensitivities:

Upward Factors

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

Downward Factors

- Any decline in revenue and/or profitability on a sustained basis resulting in deterioration in credit profile and/or deterioration in working capital cycle resulting in deterioration in liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Stable revenue growth**

Total operating income remained stable and at Rs.4496.75 crore in FY23 as compared to Rs.4516.95 crore in FY22, due to lower realization due to imposition of export by Government Of India during FY23. However, as per unaudited financials of 9MFY23, SBIPL has achieved revenue of Rs.3,671 crore with improved realizations and expected to achieve revenue of Rs.4586 crore at the end of FY24. Infomerics expects, SBIPL revenue growth likely to remain stable on expectations of stable demand as well as stable realizations.

- **Healthy financial risk profile**

Financial risk profile of the company is healthy marked by comfortable overall gearing and other debt coverage indicators. Overall gearing ratio and TOL/TNW have improved to 0.33x and 057x respectively in FY23 (P.Y.: 0.38x and 0.66x), due to decrease in total debt due to repayments and improvement in net worth due to retained earnings. The debt protection metrics marked by interest coverage deteriorated and stood at comfortable levels at 8.07x in FY23 (P.Y.: 13.86x), due to a decline in profitability. Total debt/GCA has marginally deteriorated and still stood at comfortable levels at 2.01x in FY23 (P.Y.: 0.93x).

- **Experienced promoters in the industry**



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SBPIL was promoted by the Goel family in 2002. SBPIL is the flagship company of Raipur based Shri Bajrang group. The group has been in the iron and steel industry since 1991. Promoters have extensive industry experience of around three decades. The independent directors of the company are highly qualified, experienced and accomplished professionals, adding credence in the governance of the company.

- **Integrated nature of operations and diversified product portfolio**

SBPIL is an integrated manufacturer of steel products with a diversified portfolio of long steel products comprising TMT bars, HB wires, wire rods, sponge iron, billets, ferro alloy, MS rounds and iron ore pellets. Products of the company are sold under the brand name of “Goel” and find use primarily in infrastructure and construction segments. The company started iron ore mining in 2015 to meet its raw material requirements. Backward integration and fully captive power generation capabilities have resulted in the company minimizing its operating costs.

Key Rating Weaknesses

- **Significant decline in profitability in FY23, however same has improved in 9MFY24**
EBITDA margin has significantly declined to 11.48% in FY23 against 24.26% in FY22, with higher raw material prices resulting in lower spread between finish goods and raw materials also margins have impacted due to imposition of export duty on iron ore, pellets, and steel intermediaries by Government of India. In line with EBITDA margin, PAT margin has also declined to 6.48% in FY23 against 16.30% in FY22. However, EBIDTA margin improved to 12.91% in 9MFY24 against 8.17% in 9MFY23 due to higher spread between finish goods and raw materials and absence of export duty. SBPIL is an integrated steel player with a captive iron ore mine and manufactures intermediate and long steel products. It also has a captive power capacity of 83 megawatt (MW), which helps in reducing power and fuel costs. The integrated nature of operations supports SBPIL’s cost structure. The company has also commissioned a solar power plant in its 100% subsidiary – Shri Bajrang Steel Corporate Limited in January 2023 for its captive use. In January 2024, Shri Bajrang Steel Corporate Limited merged with/into SBPIL. Going forward, the power and fuel cost is expected to reduce and aid operating margin improvement.
- **Volatility in raw material prices**



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The major raw materials required by the company are iron ore and coal. SBPIL owns an iron ore mine in Chhattisgarh (though some iron ore requirement is fulfilled externally). The company has tie-up with South Eastern Coal Field Limited for fulfilling its coal requirements. Historically, the cost of these raw materials and steel products have been volatile in nature and hence, profitability margins of the company are susceptible to fluctuation in raw material prices and/or finished products. The company's ability to effectively procure raw materials and manage its price volatility will be a key rating factor.

- **Exposure to foreign exchange fluctuations**

As the company imports its raw material requirements and exports account for a miniscule proportion of the total revenue, the company is exposed to foreign currency fluctuation risk. However, the Company has a pre-defined hedging mechanism to mitigate the risk. The unhedged exposure of foreign currency stood at Rs.287.59 crore as on December 31, 2023.

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

SBPIL 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. However, the current outlook for the steel industry appears to be good with robust domestic demand.

Analytical Approach: Standalone

Applicable Criteria:

[Policy of default recognition](#)

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity: Adequate



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The company is earning comfortable level of GCA and the same is expected to increase with increase in scale of operations and level of margin. This indicates adequate degree of liquidity of the company in meeting its obligations. The average fund based utilization for 12 months ended February 2024 stood at around 72%. The current ratio stood at 2.09x as on 31st March 2023.

About the Company

SBPIL is a part of the Raipur based Goel Group (Raipur) established by the Goel family. SBPIL, incorporated in 2002, is the flagship company of the group. The company primarily manufactures long mild steel products like TMT bars, hard bright wires, wire rods, sponge iron, pellets, billets, ferro alloys etc. Products of the company are sold under brand name of “Goel” and find use primarily in infrastructure and construction segments.

Financials (Standalone)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	4516.95	4496.75
EBITDA	1095.63	516.05
PAT	741.25	293.37
Total Debt	727.18	721.60
Tangible Networkth	1926.21	2218.23
Ratios		
EBITDA Margin (%)	24.26	11.48
PAT Margin (%)	16.30	6.48
Overall Gearing Ratio (x)	0.38	0.33

*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 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding	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



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			(INR Crore)			(February 8, 2023)	(January 28, 2022)
1.	Long Term Bank Facilities – Cash Credit	Long Term	525.00	IVR A/ Stable	-	IVR A/ Stable	IVR A-/ Stable
2.	Long Term Bank Facilities – Term Loan	Long Term	123.53	IVR A/ Stable	-	-	-
3.	Short Term Bank Facilities – Bank Guarantee	Short Term	975.00	IVR A1	-	IVR A1	IVR A2+
4.	Long Term Bank Facilities	Long Term	-	-	-	IVR A/ Stable	IVR A-/ Stable
5.	Short Term Bank Facilities	Short Term	-	-	-	IVR A1	IVR A2+

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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.



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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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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	–	–	--	525.00	IVR A/ Stable
Long Term Bank Facilities – Term Loan	–	–	January 2032	123.53	IVR A/ Stable
Short Term Bank Facilities – Bank Guarantee	–	–	–	975.00	IVR A1
Long Term Bank Facilities	–	–	–	-	-
Short Term Bank Facilities	–	–	–	-	-

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

Annexure 3: Facility wise lender details



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<https://www.infomerics.com/admin/prfiles/len-ShriBairangPower-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.

