



Press Release

Shri Bajrang Alliance Ltd

September 08, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term Facility – Fund Based – Cash Credit	32.15	IVR BB+ / Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Long Term Fund Based Facility – Term Loan	18.64	IVR BB+ / Stable Outlook (IVR Double B Plus with Stable Outlook)
3.	Short Term Fund Based Facility – Bills Discounting under LC	8.00	IVR A4+ (IVR A Four Plus)
4.	Short Term Non Fund Based Facility – Bank Guarantee	1.00	IVR A4+ (IVR A Four Plus)
	Total	59.79	

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of the entity derives comfort from their extensive experience of promoters with an established presence in steel industry and linkages with group companies. However, large contingent liabilities, stretched capital structure due to debt funded capex and declining profit margins and high competition and cyclicity in the steel industry are the rating constraints.

Key Rating Sensitivities

Upward factors:

- Significant and sustained improvement in profitability margins and debt coverage indicators

Downward factors:

- Decline in profitability leading to further weakness in liquidity



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Key Rating Drivers with detailed description

Key Rating Strengths

Extensive experience of promoters with an established presence in steel industry

Shri Bajrang Alliance Limited (SBAL) was promoted by the Goel family in 1990. The group has diversified business interests from steel business to Media, Digital Marketing, Hydro Power and Food Agro Processing. 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 (rated IVR BBB+/A2/Stable). Mr Anand Goel is the Managing Director of the company accompanied by Mr Narendra Goel (Director) and Mr Archit Goel (Director). The independent directors of the company are highly qualified, experienced and accomplished professionals, adding credence in the governance of the company. The company has an extensive dealer network and various marketing initiatives, which has been supporting their operating profile.

Linkages with Group companies

SBAL has operational linkages with Shri Bajrang Power and Ispat Ltd (SBPIL), the flagship company of Goel Group, for sourcing raw materials. The company receives funding from its Group companies, SBPIL (in the form of short term loans amounting to INR19.95 crore) and Shimmer Investments Pvt Ltd (a company which is under the control of KMP with a loan amounting to INR6.30 crore), in the form of unsecured loans which have been utilised in their capex spent towards their new frozen food processing plant.

Key Rating Weaknesses

Large contingent liabilities

SBAL has a sizeable amount of contingent liability, majority of which pertains to corporate guarantee given by the company to one of its associate company's – Shri Bajrang Power & Ispat Ltd; which has increased from INR924.11 crore in FY19 to INR967.68 crore in FY20. The company has provided the corporate guarantee to the company at the time of its inception.



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Stretched capital structure due to debt funded capex and declining profit margins

The company's capital structure is stretched on account of the debt funded capex undertaken in FY2020 towards setting-up a new frozen ready to eat food manufacturing facility in Raipur. The total debt has increased from INR19.51 crore in FY19 to INR46.69 crore in FY20. This coupled with high reliance on external unsecured interest-bearing debt has resulted in gearing ratio decline from 0.51x in FY19 to 1.20x in FY20. The TOL/TNW has deteriorated from 0.83x in FY19 to 2.51x in FY20. The profit margins of the company has declined in FY20; with EBITDA margins declining from 3.13% in FY19 to 1.93% in FY20, the PAT margin has also declined from 0.66% in FY19 to 0.48% in FY20, the company's margins have been affected by the fluctuations in raw material prices and its inability to pass on the price to its end customers.

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

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

Liquidity is adequate on account of the bank limit utilisation has been moderate at 74% leaving sufficient headroom for any contingencies. The current ratio is almost above unity and the company has projected the current ratio to rise in their projections.



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About the company

Shri Bajrang Alliance Limited (Formerly Known as Shri Bajrang Alloys Limited) (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 group entered the steel manufacturing sector in 1991 by incorporating Shri Bajrang Alloys Limited, a re-rolling unit near Raipur, Chhattisgarh. Other than steel manufacturing, the group has business interests in areas like generation and sale of hydro power as well as media (the group operates a regional 24*7 news channel, IBC 24). The company has two main division – Steel Manufacturing and Agro Division. The Steel Manufacturing unit has an annual rolling capacity of 50,000 MT; equipped with Furnace and Conveyor tables, these modern installations have helped the company to reduce their turn-around time. The agro 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 6000 tons per annum with a cold storage facility which has a capacity of 500 tons below -18 degrees Celsius.

Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Audited)
Total Operating Income	100.57	157.00	171.25
EBITDA	4.51	4.92	3.31
PAT	1.18	1.44	0.82
Total Debt	26.47	19.51	46.69
Tangible Net-worth	36.72	38.19	38.90
Ratios			
EBITDA Margin (%)	4.48	3.13	1.93
PAT Margin (%)	1.31	0.66	0.48
Overall Gearing Ratio (x)	0.72	0.51	1.20

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facility – Fund Based – Cash Credit	Long Term	32.15	IVR BB+/ Stable Outlook	--	--	--
2.	Long Term Fund Based Facility – Term Loan	Long Term	18.64	IVR BB+/ Stable Outlook	--	--	--
3.	Short Term Fund Based Facility – Bills Discounting under LC	Short Term	8.00	IVR A4+	--	--	--
4.	Short Term Non Fund Based Facility – Bank Guarantee	Short Term	1.00	IVR A4+	--	--	--

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. 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 (INR Crore)	Rating Assigned/ Outlook
Long Term Facility – Fund Based – Cash Credit	NA	NA	Revolving	32.15	IVR BB+/ Stable Outlook
Long Term Fund Based Facility – Term Loan	NA	NA	Up to 2025	18.64	IVR BB+/ Stable Outlook
Short Term Fund Based Facility – Bills Discounting under LC	NA	NA	Up to 1 year	8.00	IVR A4+
Short Term Non Fund Based Facility – Bank Guarantee	NA	NA	Up to 1 year	1.00	IVR A4+