

## Balasore Alloys Limited

August 1, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	90.00	CARE D; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	95.30	CARE D; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated March 24, 2021, placed the rating(s) of Balasore Alloys Limited (BAL) under the 'issuer non-cooperating' category as BAL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. BAL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated March 25, 2023, April 04, 2023 and April 14, 2023. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

**Analytical approach:** Standalone

### Detailed description of the key rating drivers:

At the time of last rating on August 11, 2020 the following were the rating strengths and weaknesses (updated for the information available from stock exchange)

#### Key Rating Weaknesses

**Delays in debt serving:** As per the interaction with one of the banks, the cash credit continues to be overdrawn for a period of more than 30 days.

**Decline in capacity utilization and cash losses reported in FY20:** The capacity utilization declined from 92% in FY19 to 69% in FY20 on account of lower demand of ferro chrome. BAL's total operating income declined 39% y-o-y to Rs.767.46 crore in FY20 (Rs.1258.06 crore in FY19). The company reported operating loss in FY20 on account of increase in power cost and under-absorption of fixed overheads. The company has serviced interest expenses out of advances from customers and infusion of unsecured loans.

To update further total operating income of the company has increased from Rs. 112.20 crores in FY22 to Rs.399.82 crores in FY23, however, net loss of the company increased from Rs.58.10 crores in FY22 to Rs. 171.34 crores in FY23.

**Absence of captive source of power and coal:** The production process of Ferro Alloy is highly power intensive and therefore the cost of the power is critical to the competitiveness of the products. BAL does not have any captive power plant and sources its power requirements mainly from North Eastern Electric Supply Company of Odisha Ltd. (NESCO). Accordingly, absence of captive source of power has rendered BAL's operations vulnerable to any upward revision in electricity tariff rates. Further in Q1FY21, the electricity supply was disrupted and the plant was operational only for 20 days. Coal & LAM Coke formed about 15% of the total cost of sales in FY20 after power cost (33%) and chrome ore (33%). Volatile nature of coal prices and chrome ore leads to profitability of the company vulnerable to such changes.

**Presence of captive chrome ore mine albeit sourcing of chrome ore from open market:** Chrome ore is a major raw material for ferro-chrome (FeCr) production and therefore, sourcing and pricing of the same remains crucial for FeCr producers in order to sustain operational profitability. BAL has its own operational captive chrome ore mine at Sukinda valley (Jajpur), Odisha With the mines providing low outputs from open cast mining, BAL started sourcing Chrome ore from outside market. However the sourcing of chrome ore from outside market has declined to 13% in FY20 as against 30% in FY19.

**Delay in underground mining project:** BAL is planning to undertake underground mining at later stage and has incurred about Rs.255.76 crore in the underground mining project till Mar-2020 which is funded out of its own sources for conducting

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

the feasibility study & development of underground mines. The company has reworked its Underground mining plan and now decided to start decline at +45mRL which is cost effective and less time consuming. The management is expecting to extract chrome ore through Underground mechanism before fully exhausting chrome ore through open cast and boundary pillar mining method.

**On-going disputes:** The Company has on-going disputes with Mining authorities of Jajpur, State Trading Corporation of India and NESCO which are pending before various courts & authorities.

**Foreign exchange fluctuation risk:** The exports are hedged through forward exchange contracts. On the other hand, BAL is exposed to forex risk due to import of coal & coke. In FY23, the company reported forex loss of Rs.3.39 crore as against forex loss of Rs.2.28 crore in FY22.

**Complete dependence of ferro chrome industry on the cyclical steel sector:** The stainless steel industry is the primary consumer of FeCr and accordingly the fortunes of FeCr manufacturers are largely dependent on the performance of the stainless steel industry. The volatile nature of FeCr prices has a significant impact on the profitability of the companies in the sector.

### Key Rating Strengths

**Experienced promoters:** Ispat group, promoted by Mr. M. L. Mittal started trading of steel products in 1981. BAL, a part of Ispat group, commenced operations in 1987. Accordingly, the promoters of the company have an experience of about three decades in operating / managing ferro chrome plants. Currently, the day to day affairs are managed by Mr. Anil Sureka (the present MD of BAL) having over three decades of corporate experience.

**Strong presence in the export market:** Export constitutes ~25% of total revenue of BAL in FY23 (Nil in FY22).

**Comfortable capital structure:** The capital structure of BAL slightly deteriorated but remained comfortable marked by overall

gearing ratio at 0.28x as on March 31, 2020 (0.22x as on March 31, 2019).

To update further the capital structure of BAL has deteriorated marked by overall gearing ratio at 1.10x as on March 31, 2023 (0.29x as on March 31, 2022).

### Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Ferrous Metals	Ferro & Silica Manganese

Balasore Alloys Limited (BAL), incorporated in May, 1984, is a part of Kolkata-based Ispat group of companies promoted by Mr. M. L. Mittal. BAL commenced commercial operations in 1987 with production of ferro-chrome (FeCr). FeCr is mainly used in Stainless steel (SS) production. The manufacturing facilities of BAL are located in Balasore (Odisha) with an installed capacity of 1,45,000 TPA and in Sukinda (Odisha) with an installed capacity of 15,660 MTPA for ferro chrome. BAL has two chrome ore beneficiation plant, a chrome ore briquetting plant and a metal recovery plant.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	105.51	112.20	399.82
PBILDT	12.34	-12.62	-32.08
PAT	-40.62	-58.10	-171.34
Overall gearing (times)	0.28	0.29	1.10
Interest coverage (times)	0.33	-0.47	-0.45

A: Audited ; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Brickwork Ratings has continued the ratings as "Not cooperating" vide its press release dated November 23, 2022

**Any other information:** Not Applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	90.00	CARE D; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	95.30	CARE D; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	90.00	CARE D; ISSUER NOT COOPERATING *	-	1)CARE D; ISSUER NOT COOPERATING * (09-May-22)	-	1)CARE D; ISSUER NOT COOPERATING * (24-Mar-21)  2)CARE D (11-Aug-20)
2	Non-fund-based - ST-BG/LC	ST	95.30	CARE D; ISSUER NOT COOPERATING *	-	1)CARE D; ISSUER NOT COOPERATING * (09-May-22)	-	1)CARE D; ISSUER NOT COOPERATING * (24-Mar-21)  2)CARE D (11-Aug-20)

\*Issuer did not cooperate; based on best available information.

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

### Contact us

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#### About us:

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