

Black Diamond Explosives Private Limited

March 29, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.23	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	31.70	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Revised from CARE A3+ (A Three Plus) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	46.93 (Rs. Forty-Six Crore and Ninety-Three Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Black Diamond Explosives Private Limited (BDEPL) to monitor the rating(s) vide e-mail communications/letters dated November 11, 2021, February 16, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. Further, BDEPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on BDEPL's bank facilities will now be denoted as **CARE BB+, Stable/CARE A4+; ISSUER NOT COOPERATING***.

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

The ratings have been revised on account of unavailability of adequate information leading to uncertainty around its credit risk.

Detailed description of the key rating drivers

At the time of last rating on March 30, 2021 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Small scale of operation

BDEPL is a relatively small sized company in the explosives industry, having licensed capacity of 1,15,000 MTPA for manufacturing of industrial explosives. The small size restricts the financial flexibility of the company in times of stress. Further due to low installed capacity it was unable to participate in various tenders as the eligibility requirement for minimum installed capacity was not fulfilled.

Risk associated with volatility in raw material prices and availability

The key raw material, ammonium nitrate, constitutes a major portion of its total raw material composition. Hence, its timely availability at favorable market prices plays a crucial role in sustaining margins for the company. Revision in the price of the raw material depends upon the price of ammonium nitrate fixed by the Rashtiya Chemical and Fertilizers Ltd on quarterly basis and also depends on the foreign exchange rate. Thus, to mitigate the price uncertainty risk to some extent and availability risk, BDEPL has entered into long term contract with suppliers for supply of the raw material.

Regulated nature of operation

BDEPL is governed by The Explosives Rules, 1983 and its operations and activities are constrained by the various provisions and regulations mentioned under the stated act. The objective of this act is to regulate the manufacture, possession, sale, use, transportation, and importation etc. of explosives.

Key Rating Strengths

Experienced promoter

BDEPL is promoted by Mr. Alope Agarwalla, Mr. Alope Khaitan and Mr. Manoj Agarwalla along with their families. The promoters have a business experience of more than two decades in the manufacturing of industrial explosives, which is mainly used in mining activities. Mr. Alope Khaitan, MD looks after the production and operations whereas Mr. Manoj Agarwalla looks after the finance function.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Strategic location of the plant

BDEPL's plant is located in the town of Asansol (West Bengal), which is in proximity to the mining sites in West Bengal, Bihar, Jharkhand, and Odisha. Given the bulky nature of explosives, the proximity of plant to mining sites located in Eastern India provides a competitive advantage to BDEPL over its competitors in terms of lower freight cost.

Reputed client profile; albeit customer concentration risks

BDEPL has a reputed customer profile, comprising of large miners. Coal India Ltd (CIL) continues to be the major customer of the company. The company has been supplying to CIL and its subsidiaries for over a decade under a contractual arrangement.

Moderate capacity utilization

Capacity utilization of BDEPL is mainly dependent on the orders from CIL. Capacity utilisation of cartridge explosive declined in FY20 due to lower demand for the same and the installed capacity of bulk explosive was increased to meet the eligibility requirement of various tenders.

During, 9MFY21 capacity utilization of cartridge explosives increased due higher demand however capacity utilisation of bulk explosives remained at stable.

Stable financial performance in FY20 and 9MFY21

Total operating income of the company improved from Rs.112.72 cr. in FY19 to Rs.125.12 cr. in FY20 mainly due to increase in quantity sold of bulk explosives. PBILDT margin improved from 5.48% in FY19 to 6.00% in FY20 due to increase in sales coupled with reduction in employee cost. On an absolute basis, PBILDT level improved from Rs.6.18 Cr. in FY19 to Rs.7.51 cr. in FY20. Though PBILDT improved, PAT remained at similar level due to increase in interest cost because of high working capital utilization. Interest coverage ratio also deteriorated from 11.17x in FY19 to 3.69x on FY20 due to increase in interest cost but continued to remain satisfactory. In 9MFY21, the company has achieved PBILDT of Rs.5.49 crore on an operating income of Rs.92.06 crore.

Satisfactory financial risk profile

Overall gearing of BDEPL though deteriorated from 0.02x as on March 31, 2019 to 0.32x as on March 31, 2020 remained satisfactory. Deterioration was mainly because of increase in total debt as on March 31, 2020 due to increase cash credit utilization. Accordingly, Total debt/GCA deteriorated from 0.10x as on March 31, 2019 to 2.19x as on March 31, 2020.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on Rating Outlook and Credit Watch](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology – Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

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

About the Company

Black Diamond Explosives Private Limited (BDEPL) was incorporated in 1988 and was taken over by the Dhansar Group in 1993. The manufacturing operations of industrial explosives commenced from 1995. BDEPL is engaged in manufacturing of emulsion and cap sensitivities explosives with installed licensed capacity of 100,000 tonnes per annum for bulk explosive and 15,000 tonnes per annum for Cartridge Explosives at its plant located at Asansol in West Bengal.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)	Q1__ / H1__ /9M	
Total operating income	112.72	125.12		NA
PBILDT	6.18	7.51		NA
PAT	3.33	3.50		NA
Overall gearing (times)	0.02	0.32		NA
Interest coverage (times)	11.17	3.69		NA

A: Audited, NA: Not Available

Status of non-cooperation with previous CRA: 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 for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	12.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	-	10.00	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Forward Contract	-	-	-	-	0.20	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee	-	-	-	-	20.00	CARE A4+; ISSUER NOT COOPERATING*
Fund-based-Long Term	-	-	-	Sept'24	3.23	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Standby Line of Credit	-	-	-	-	1.50	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	12.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (30-Mar-21)	1)CARE BBB; Stable (30-Mar-20) 2)CARE BBB; Stable (04-Apr-19)	1)CARE BBB; Stable (02-Apr-18)
2	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3+ (30-Mar-21)	1)CARE A3+ (30-Mar-20) 2)CARE A3+ (04-Apr-19)	1)CARE A3+ (02-Apr-18)
3	Non-fund-based - ST-Forward Contract	ST	0.20	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3+ (30-Mar-21)	1)CARE A3+ (30-Mar-20) 2)CARE A3+ (04-Apr-19)	-
4	Non-fund-based - ST-Bank Guarantee	ST	20.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3+ (30-Mar-21)	1)CARE A3+ (30-Mar-20) 2)CARE BBB; Stable	-

							(04-Apr-19)	
5	Fund-based-Long Term	LT	3.23	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (30-Mar-21)	-	-
6	Fund-based - ST- Standby Line of Credit	ST	1.50	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3+ (30-Mar-21)	-	-

*Issuer did not cooperate; Based on best available information

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

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Standby Line of Credit	Simple
3	Fund-based-Long Term	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Forward Contract	Simple
6	Non-fund-based - ST-Letter of credit	Simple

Annexure 5: Bank Lender Details for this Company

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

Note on complexity levels of the rated instrument: CARE Ratings Ltd. 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.

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About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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