

Press Release

BST Infratech Limited

16 May, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 130.00 Cr.
Long Term Rating	SMERA BBB+/ Outlook: Stable
Short Term Rating	SMERA A2

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB+**' (**read as SMERA triple B plus**) and short term rating of '**SMERA A2**' (**read as SMERA A two**) on the Rs. 130.00 crore bank facilities of BST Infratech Limited (BSTIL). The outlook is '**Stable**'.

Incorporated in 2007- BST Infratech Limited is a Kolkata based company engaged in manufacturing of mild steel (MS) strips, MS & Galvanized Iron (GI) pipes, MS Bars & wire rods, MS/GI Wires, tubular poles and transmission towers. The manufacturing unit is located in Asansol (West Bengal) with installed capacity of 60,000 MTPA for MS strips, 90,000 MTPA for MS/GI pipes, 60,000 MTPA for MS Bars & wire rods, 12,000 MTPA for MS/GI wires, 10,000 MTPA tubular poles and 24,000 MTPA transmission towers. The company was promoted by Mr. Gopal Kumar Agarwal and Mr. Pradip Kumar Agarwal who has over two decades of experience in the iron and steel industry.

Key Rating Drivers

Strengths

Experienced management

The promoters have an established track record of over two decades in the iron and steel industry. In addition to BST Infratech Limited, the promoters are managing Manbhum Ispat Private Limited, Satyam Iron & Steel Company Private Limited which is engaged in the manufacturing of structural steel and sponge iron respectively.

Healthy growth in revenue

The company has registered healthy growth in top-line with revenue of Rs 366.83 crs in FY 17 from Rs 289.77 crs in FY 16, thereby registering a y-o-y growth of 26.59 per cent. The growth in revenue is on account of the improvement in the capacity utilization for manufacturing of transmission towers, MS strip structural steel, MS pipe and MS Bar. Capacity utilization for structural steel improved to 48 per cent in FY17 from 21.71 per cent in FY16, MS Pipe and MS Bar improved to 67.50 per cent in FY 17 from 40 per cent in FY 16 and that of transmission towers improved to 48 per cent in FY17 from 27 per cent in FY16. During the current year, the company clocked revenue of Rs 479.08 crs till 31st Jan'18 (prov). The increase in the top line in the current financial year is on account of better capacity utilization and improved realization of MS strip/ structural items, MS pipe/ Bar, MS wire.

Healthy financial risk profile

The healthy financial risk profile of the company is marked by its moderate net worth, comfortable gearing and debt protection metrics. The net worth of the company stood at Rs 59.13 crore in FY2017 as against Rs 52.95

crs in FY 2016. While arriving at the net worth SMERA has considered Rs 19.38 crs of unsecured loans from promoters/ directors/ group companies as quasi equity on receipt of undertaking from the management that the same would not be withdrawn from the business. Debt equity stands comfortable at 0.79 times in 2017 as compare to 0.73 times in FY 2016. The interest coverage ratio stood at 2.76 times as compare to 2.46 times in FY 2016. The NCA /TD stood at 0.22 times in FY 2017. Total debt of Rs 46.69 crore in FY 2017 consists of short term working capital facilities.

Healthy Order book position

BSTIL is an approved vendor of Power Grid Corporation of India Limited (PGCIL) for supply of transmission towers to state run power transmission utilities. Currently BSTIL has healthy order flow of ~Rs.237.60 crore as on 15th March, 2018 which is likely to get executed in the next 12-24 months.

Weaknesses

Working Capital Intensive Operations

The operations are working capital intensive an inherent nature in the steel industry marked by GCA days of 256 in FY 2017 as against 323 days in FY 2016. The high GCA days are on account of stretched debtor days of 167 in FY 17 as compare to 225 days in FY 16 though the same witnessed improvement in FY 2017 on the back of improved market scenario in the iron and steel industry. The company also has witnessed improvement in the debtor position in the current financial year also and as on 31st Jan'18 debtor stood at Rs 135 crs (Prov) i.e 89 days. The improvement is also on account of BSTIL's focus to government sector for supply of transmission tower and GI Pipes where payment are secured and realized without any significant delays. The company generally maintains inventory of billets, HR Coils for a period 60-90 days. On an average the company utilizes 90-95 % of its fund based working capital facilities.

Exposure to inherent cyclicity in the steel industry

The profit margins and sales of the company remains exposed to inherent cyclicity in the steel and industry.

Presence in highly competitive and fragmented industry

The company is operating in competitive and fragmented nature of industry.

Outlook: Stable

SMERA believes that BSTIL will continue to benefit over the medium term from the promoters long experience in business. The outlook may be revised to 'Positive' if BSTIL achieves more than envisaged sales and profitability while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and financial risk profile further deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	479.06	366.83	256.7923.11
EBITDA	Rs. Cr.	19.67	16.02	16.60
PAT	Rs. Cr.	3.99	2.00	2.33
EBITDA Margin	(%)	5.36	5.53	5.79
PAT Margin	(%)	1.09	0.69	0.81
ROCE	(%)	14.34	11.56	23.51
Total Debt/Tangible Net Worth	Times	0.79	0.73	0.68
PBDIT/Interest	Times	2.76	2.46	2.64

Total Debt/PBDIT	Times	2.30	2.32	1.98
Gross Current Assets (Days)	Days	256	323	270

Status of non-cooperation with previous CRA (if applicable)

None

Analytical Approach

SMERA has taken a standalone view of the business and financial risk profile of BSTIL.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuanc	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicabl	Not Applicable	Not Applicable	50.00	SMERA BBB+/ Stable
Proposed Cash Credit	Not Applicabl	Not Applicable	Not Applicable	20.00	SMERA BBB+/ Stable
Bank Guarantee	Not Applicabl	Not Applicable	Not Applicable	27.00	SMERA A2
Proposed Bank Guarantee	Not Applicabl	Not Applicable	Not Applicable	33.00	SMERA A2

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