

Press Release

BST Infratech Limited

June 07, 2019

Rating Re-affirmed



Total Bank Facilities Rated*	Rs. 145.00 Cr.
Long Term Rating	ACUITE BBB+/ Outlook: Stable (Re-affirmed)
Short Term Rating	ACUITE A2 (Re-affirmed)

* Refer Annexure for details

Rating Rationale

Acuité has re-affirmed long term rating of **ACUITE BBB+ (read as ACUITE triple B plus)** and short term rating of **ACUITE A2 (read as ACUITE A two)** to the Rs. 145.00 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, 96,000 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 have over two decades of experience in the iron and steel industry.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management and long track record of operations

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. The long track record has helped the company to establish a healthy relationship with customers and suppliers.

Healthy growth in revenue

The company has registered healthy growth in top-line with revenue of Rs 609.22 crore in FY 18 from Rs 366.83 crore in FY 17, thereby registering a y-o-y growth of 66.07 per cent. The growth in revenue is on account of the improvement in the capacity utilization coupled with improvement in realization per unit for majority of items. The company clocked revenue of Rs 900 crs till 31st March'19 (prov). The topline growth has resulted in better net cash accruals to Rs 12.73 crore in FY 18 from Rs 10.17 crore in FY 17.

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 63.13 crore as on 31st March'18 as against Rs 59.13 crs as on 31st March'17. Debt equity stands comfortable at 1.07 times as on 31st March'18 as compared to 1.19 times a year earlier. The debt protection metrics stood healthy with interest coverage ratio stood at 2.58 times in FY 2018 as compared to 2.76 times in FY 2017. The NCA /TD stood at 0.19 times in FY 2018.

Improvement in working capital management

The company has significantly improved its working capital cycle marked by GCA days of 147 FY 2018 as against 316 days in FY 2017. The improvement in GCA days on account of better receivable management. The debtor days improved to 82 days in FY 18 as compared to 207 days in FY 17. The improvement is on account of better demand and overall improvement in the market scenario in the iron and steel industry. The improvement is also on account of BIL's focus in the 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. BIL being in the market for over a decade and having an established presence revives credit of 90-150 days from suppliers. Further, the company has been able to manage the growth in topline with no major significant rise in working capital facilities resulting in almost full utilization of its fund based limits.

Weaknesses

Declining operating margins

The profitability margins have declined marginally during the period under review. The dip in profitability margins are due to rise in raw material cost and selling expenses being bad debt written off in FY 2018. The company has written off Rs 12.63 core of debtors in FY 2018 resulting in dip in operating margins to 4.28 per cent in FY 2018 from 5.36 per cent a year earlier.

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.

Liquidity Position:

BSTIL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. BSTIL generated cash accruals of Rs.8.42 to 12.73 crore during the last three years through 2017-18, while its maturing debt obligations were nil over the same period. BSTILs operations are moderately working capital intensive marked by gross current asset (GCA) days of 147 in FY 2018. This has led to reliance on working capital borrowings, the cash credit limit of SKP remains utilized at ~95 percent during the twelve months ended March 2019. The current ratio of BSTIL stood at 1.19 times as on March 31, 2018.

Outlook: Stable

Acuite 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 further improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability further deteriorates or the financial risk profile weakens owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials-

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	609.22	366.83	289.77
EBITDA	Rs. Cr.	26.06	19.67	16.02
PAT	Rs. Cr.	6.61	3.99	2.00
EBITDA Margin	(%)	4.28	5.36	5.53
PAT Margin	(%)	1.09	1.09	0.69
ROCE	(%)	16.24	11.59	10.21
Total Debt/Tangible Net Worth	Times	1.07	1.19	1.17
PBDIT/Interest	Times	2.58	2.76	2.46
Total Debt/PBDIT	Times	2.50	3.45	3.74
Gross Current Assets (Days)	Days	147	256	323

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16th May'18	Cash Credit	Long Term	50.00	ACUITE BBB+/ Stable (Assigned)
	Proposed Cash Credit	Long Term	20.00	ACUITE BBB+/ Stable (Assigned)
	Proposed Bank Guarantee	Short Term	33.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	27.00	ACUITE A2 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE BBB+/Stable (Re-affirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB+/Stable (Re-affirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	29.50	ACUITE A2 (Re-affirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	35.50	ACUITE A2 (Re-affirmed)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head– Corporate and Infrastructure Sector Tel: 033-66201203 pooja.ghosh@acuite.in Aniruddha Dhar Rating Analyst Tel: 033-66201207 aniruddha.dhar@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.