Press Release

BST Infratech Limited

01 July 2020

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 145.50 Cr. (Enhanced from Rs 145.00 crores)
Long Term Rating	ACUITE BBB+/Stable (Reaffirmed)
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. 145.50 Crore bank facilities of BST Infratech Limited (BIL). The outlook is 'Stable'.

BST Infratech Limited incorporated in 2007 is 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 an 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. BIL is promoted by Mr. Gopal Kumar Agarwal and Mr. Pradip Kumar Agarwal.

Analytical Approach:
Acuité has taken a standalone view of the business and financial risk profile of BIL.

Key Rating Drivers:
Strengths

Experienced management.
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 through other group concerns such as Manbhum Ispat Private Limited and Satyam Iron & Steel Company Private Limited. The longstanding experience of the management has helped the company to establish healthy relationship with customers and suppliers. The company has a diversified customer base which includes state owned power distribution companies, EPC contractors, wire manufacturers etc. Apart from this, the company has a distribution network of 100 dealers spread across different states such as Bihar, UP, West Bengal, Assam and Odisha for its pipe division.

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Healthy financial risk profile
The financial risk profile of the company is marked by modest net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood at Rs.86.34 crore in FY2020(Provisional) as compared to Rs.64.81 crore in FY2019. This improvement in Net worth is mainly due to retention of current year profit along with infusion of Rs.15.55 crores quasi equity. There was an addition of unsecured loans which is subordinated to company's external debt which has been treated as quasi equity by Acuité. The gearing of the company stood at 0.86 times in FY20(Provisional) as compared to 1.20 times as on March 31, 2019. The total debt of Rs.76.76 crore in FY2020 consists mainly of short-term loan of Rs. 71.21crore apart from unsecured loan from promoters of Rs.5.55 crores. Interest coverage ratio (ICR) stood at 2.24 times in FY2020(Provisional) as against 2.81 times in FY 2019 due to rise in financial cost. The net cash accruals against total debt (NCA/TD) stood at 0.16 times in FY2020(Provisional) as compared to 0.21 times in previous year. Acuité believes the financial risk profile of the company will remain healthy over the medium term backed by absence of debt funded capex plan and steady accruals.

Improvement in Profitability

EBITDA margin of the company had improved to 4.32 percent during FY20 (provisional) as against 3.82 percent in FY19. This improvement was driven by decline in raw material cost. Acuite believes profitability of the company is expected to remain at modest level in the medium term.

Weaknesses

Vulnerability of the steel market due to Covid-19

The demand of steel products is likely to be low in near term as there is fall in demand across end-users' segment such as construction, engineering and real estate segments due to pandemic outbreak. The company is engaged in the production of long steel products, the demand for which is directly dependent on primarily the construction segment thus making it susceptible to the downturn in the ongoing slowdown. The muted growth is expected to continue till H1FY'21 mainly due to constraints related to labour and disruptions in the supply chain. Acuité expects the demand scenario to scale up from the second half of the current fiscal with rising demand from Infrastructure and construction sectors.

Decline in scale of operation

BIL witnessed a steep decline in revenue in FY20 due to fall in sales volume and average realization of wire rod. Moreover, order flow from power transmission & distribution and infrastructure segments is low which led to decline in capacity utilization. Acuite believes the scale of operation is likely to remain almost similar in FY21 as capacity utilization is expected to remain low in H1FY21.

Rating Sensitivity

- Sustenance of revenue growth while maintaining profitability
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity reflected from moderate utilization of working capital limits ranging from 87 percent to 97 percent during the last 11 months ended May 2020. In addition, company has comfortable net cash accrual of Rs. 12.16 crores during FY20(Provisional) against no term debt obligations. Current ratio stood at 1.2 times during FY20 as against 1.17 times in FY19.Due to covid 19, the working requirement has increased which is reflected from its GCA days of 203 days in FY20 as against 128 days in FY19. So, the company has applied for additional line of credit from existing bankers. Acuite believes liquidity profile is likely to remain at adequate level backed by steady accruals post resumption of commercial operation since May 6, 2020.

Outlook: Stable

Acuité believes that BIL will continue to benefit over the medium term from the promoters' long experience in business. The outlook may be revised to 'Positive' if BIL 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 -

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	902.97	608.59
PAT	Rs. Cr.	16.54	12.73
PAT Margin	(%)	1.16	1.09
Total Debt/Tangible Net Worth	Times	1.20	1.43-
PBDIT/Interest	Times	2.81	2.58

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
16 May 2018	Cash Credit	Long Term	50.00	ACUITE BBB+/ Stable (Assigned)
	Proposed Cash Credit	Long Term	25.00	ACUITE BBB+/ Stable (Assigned)
	Bank Guarantee	Short Term	33.00	ACUITE A2 (Assigned
	Proposed Bank Guarantee	Short Term	27.00	ACUITE A2 (Assigned)
09 June 2019	Cash Credit	Long Term	60.00	ACUITE BBB+/Stable (Re-affirmed)
	Proposed Cash Credit	Long Term	20.00	ACUITE BBB+/Stable (Re-affirmed)
	Bank Guarantee	Short Term	29.50	ACUITE A2 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	35.50	ACUITE A2 (Reaffirmed)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	80.00	ACUITE BBB+/Stable (Re-affirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	65.50	ACUITE A2 (Reaffirmed)

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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.