

Press Release

BST Infratech Limited

December 23, 2021



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	65.50		ACUITE A2 Reaffirmed
Bank Loan Ratings	80.00	ACUITE BBB+ Negative Reaffirmed Stable to Negative	
Total	145.50	-	-

Rating Rationale

Acuité has reaffirmed the 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 has been revised to Negative from Stable.

The revision in outlook is driven primarily by a significant deterioration in BIL's liquidity profile due to high working capital requirement. In addition, the coverage and leverage indicators had witnessed slight moderation because of decrease in profit margins.

The company had registered a healthy revenue growth in FY21 backed by rise in both average realization and sale volume of finished goods. The ratings also factor in company's diversified business profile as BIL is engaged in manufacturing of various steel products and executes EPC orders related to power transmission. Currently company has 100 Cr of orders in EPC segment which provides revenue visibility for near to medium term. However these strengths are partly offset by the cyclical nature of steel Industry.

About the Company

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

Long operational track record

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.

Improvement in the scale of operation

The company had registered a healthy revenue growth of around 16 percent in FY21 despite 10 months of operation due to nationwide lockdown. The improvement is driven by rise in sales volumes and average realization of finished goods. The company also executes EPC orders related to power transmission. Currently the company has secured orders worth of around Rs 100 Cr from different state-owned power companies such as Madhya Prasad Power Transmission Company Ltd, Uttar Pradesh Power transmission corporation Ltd.

Hence the scale of operation will continue to witness revenue growth over the medium term backed by continuous inflow of orders in EPC segment with buoyancy in the steel industry.

Comfortable financial risk profile

The financial risk profile of the company is marked by comfortable net worth, decent gearing and modest debt protection metrics. The net worth of the company stood at Rs.97.41 crore in FY2021 as compared to Rs.85.65 crore in FY2020. This improvement in net worth is mainly due to retention of current year profit along with infusion of Rs.8.70 crores quasi equity. There was an addition of unsecured loans which are subordinated to company's external debt which has been treated as quasi equity by Acuité. The gearing of the company stood at 1.01 times in FY21 as compared to 0.90 times as on March 31, 2020. The company relies on bank debt for funding their working capital requirement as reflected from its short term borrowing of Rs 86.20 Cr. Interest coverage ratio (ICR) stood at 1.60 times in FY2021 as against 2.08 times in FY 2020 due to rise in financial cost. The net cash accruals against total debt (NCA/TD) stood at 0.09 times in FY2021 as compared to 0.15 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.

Weaknesses

Low profit margin

The company has witnessed a decline in profit margin as reflected from its EBITDA margin of 3.56 percent in FY21 as against 4.15 percent in FY20. The company has posted PAT margin of 0.41 percent in FY21 as against 0.82 times in FY20. Reason for decline is rise in raw material costs. Acuité believes profitability of the company will remain at similar level over the medium term backed by semi integrated operation.

Cyclical nature of the industry

The company's performance remains vulnerable to cyclical in the steel sector as demand for steel depends on the performance of the end user segments such as construction and real estate. Indian steel sector is highly competitive due to the presence of a large number of players. The operating margin of the company is exposed to fluctuations in the prices of intermediate goods as well as realization from finished goods.

Rating Sensitivities

- Improvement in liquidity profile and profitability margin
- Sustenance of revenue growth

Material covenants

None

Liquidity profile: Stretched

The company has a moderate liquidity reflected from its comfortable net cash accrual of Rs.

8.40 crores during FY21 against current maturity of Rs 4.50 Cr. Going forward, the cash accruals are expected to be in the range of Rs. 17-24 Cr as compared to debt repayment of Rs 5-6 Cr from FY2022-23. Current ratio stood at 1.30 times during FY21 as against 1.22 times in FY20. The working capital requirement has declined which is reflected from its GCA days of 153 days in FY21 as against 180 days in FY20. However the average utilization of fund based limit stood high at 98 percent during last 12 months ended October 2021. Acuite believes liquidity profile is likely to remain at similar level backed by steady accrual and absence of large capex plan.

Outlook:Negative

The outlook revision to 'Negative' is primarily driven by the deterioration in liquidity reflected from almost full utilization of bank limits along with moderation in financial risk profile. The rating may be downgraded in case of any further deterioration BIL's liquidity profile or substantial decline in operating margin leading to decrease in cash accruals and debt protection metrics. Conversely, the outlook may be revised to 'Stable' in case of significant improvement in liquidity profile along with financial risk profile

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	753.58	645.60
PAT	Rs. Cr.	3.07	5.29
PAT Margin	(%)	0.41	0.82
Total Debt/Tangible Net Worth	Times	1.01	0.90
PBDIT/Interest	Times	1.60	2.08

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

BIL is listed under the 'Non Co-operation by the issuer' category by CARE due to inadequate information

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Jul 2020	Bank Guarantee	Short Term	65.50	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	80.00	ACUITE BBB+ Stable (Reaffirmed)
07 Jun 2019	Cash Credit	Long Term	60.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	29.50	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	35.50	ACUITE A2 (Reaffirmed)
	Proposed Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB+ Stable (Assigned)

16 May 2018	Proposed Cash Credit	Long Term	20.00	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	27.00	ACUITE A2 (Assigned)
	Proposed Bank Guarantee	Short Term	33.00	ACUITE A2 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2 Reaffirmed
Bandhan Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A2 Reaffirmed
UCO Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE A2 Reaffirmed
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	14.50	ACUITE A2 Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE BBB+ Negative Reaffirmed Stable to Negative
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	37.00	ACUITE BBB+ Negative Reaffirmed Stable to Negative
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ Negative Reaffirmed Stable to Negative
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+ Negative Reaffirmed Stable to Negative

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About Acuité Ratings & Research

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