# Press Release

## BST Infratech Limited

## March 03, 2023

### Rating Assigned and Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|---|---|---|
| **Bank Loan Ratings** | 70.00 | ACUITE BBB+ \| Stable \| Assigned | - |
| **Bank Loan Ratings** | 80.00 | ACUITE BBB+ \| Stable \| Reaffirmed \| Negative to Stable | - |
| **Bank Loan Ratings** | 34.50 | - | ACUITE A2 \| Assigned |
| **Bank Loan Ratings** | 65.50 | - | ACUITE A2 \| Reaffirmed |
| **Total Outstanding Quantum (Rs. Cr)** | 250.00 | - | - |

### Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BBB+' (read as ACUITE t riple B plus)** and the short-term rating of **'ACUITE A2' (read as ACUITE A two)** on the Rs.145.50 Cr bank facilities and has assigned the long-term rating of **'ACUITE BBB+' (read as ACUITE t riple B plus)** and the short-term rating of **'ACUITE A2' (read as ACUITE A two)** on the Rs.104.50 Cr bank facilities of BST Infratech Limited (BSTIL). The outlook has been revised from **'Negative to Stable'**.

**Rating Raitonale**
The outlook revision is primarily driven by diminution in the working capital management thereby improving the liquidity position of the company. Moreover, in FY2022, the company's scale of operations has witnessed a significant growth backed by segmental diversification and locational advantage. However, Acuité also notes that the company's operating costs and borrowing costs remained at a higher level leading to thin profitability margins.

The rating on BST continues to consider the management's long track record in the sector and the above average financial risk profile marked by the healthy networth of the company. These rating strengths are partially offset by cyclical nature of the steel industry.

### About the Company

Incorporated in 2007, BST Infratech Limited (BSTIL) is engaged in the manufacturing of mild steel (MS) strips, MS Bars & wire rods, MS/GI Wires, MS & Galvanized Iron (GI) pipes, tubular poles and transmission towers. BSTIL is promoted by Mr. Gopal Kumar Agarwal and Mr. Pradip Kumar Agarwal. 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.

### Analytical Approach

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

## Key Rating Drivers

### Strengths

**Long track record of operations and segmental diversification**

BST Infratech Limited (BSTIL) has established a long standing presence of around two decades in the manufacturing industry of iron & steel products. BSTIL is supported by the extensive experience of Mr. Gopal Kumar Agarwal and Mr Pradip Kumar Agarwal. The company has achieved segmental divergence and executes EPC contracts relating to installation and supply of power transmission towers along with the manufacturing business. Acuité believes that the experienced management and the established presence of the BSTIL will continue to benefit the company going forward.

**Steady increase in turnover levels coupled with locational advantage**

The company has witnessed a revenue growth of around 15 percent in FY2022 and has achieved revenues of around Rs.860.72 Cr in FY2022 as compared to Rs.753.58 Cr in FY2021. Further, till November, 2022, the company has achieved revenues of Rs.727.24 Cr (provisional). The upsurge in operating income is driven by increase in the capacity utilisation of the products and regular order flow coupled with timely execution. Moreover, the company's unit is strategically located at Raniganj, West Bengal, a major steel manufacturing and consuming hub due to its large coal reserves, which provides operational advantage to BSTIL. Further, the clients of the company are largely located in the state of West Bengal resulting in low transportation cost and timely delivery of products. Proximity to both raw materials sources and customers results in significant freight cost reduction and enhanced sales volume. Acuite believes the scale of operation is likely to improve over the medium term backed by healthy capacity utilization of the company.

**Above average financial risk profile**

The company's above average financial risk profile is marked by healthy networth and modest gearing. The tangible net worth of the company improved to Rs.102.49 Cr as on March 31, 2022 from Rs.97.41 Cr as on March 31, 2021 due to accretion of reserves. Acuité has treated unsecured loans of Rs.24.82 Cr in FY2022 as a part of net worth as the management has undertaken to maintain this amount in the business over the medium term. Gearing of the company stood at 1.13 times as on March 31, 2022 as against 1.01 times as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.94 times as on March 31, 2022 as against 2.73 times as on March 31, 2021. However, the Interest Coverage Ratio stood moderate at 1.82 times as on March 31, 2022 and the Debt Service Coverage Ratio stood moderately weak at 1.23 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.09 times as on March 31, 2022. Acuité believes that going forward the financial risk profile of the company will further improve in absence of major debt funded capex plans.

### Weaknesses

**Thin profitability margins**

The operating margin of the company marginally increased to 3.80 per cent in FY2022 as compared to 3.56 per cent in FY2021. The PAT margin slightly rose to 0.52 per cent in FY2022 from 0.41 per cent in FY2021. The RoCE stood at 13.88 per cent in FY2022 as compared to 12.54 per cent in FY2021. Acuite believes that the profitability of the company is expected to remain at modest levels in the medium term because of the semi integrated operations of the company.

**Cyclical nature of the industry**

The company's performance remains vulnerable to cyclicality 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

- Sustenance of revenue growth and improvement in profitability margins
- Elongation in the working capital cycle

### Material covenants

None

### Liquidity position: Adequate

The company's liquidity is adequate marked by net cash accruals which stood at Rs.9.95 Cr as on March 31, 2022 as against long term debt repayment of only Rs.4.50 Cr over the same period. The current ratio stood comfortable at 1.31 times as on March 31, 2022 as against 1.30 times as on March 31, 2021. The cash and bank balances of the company stood at Rs.0.09 Cr as on March 31, 2022. However, the fund based limit utilisation stood high at 92 per cent over the seven months ended November, 2022. The working capital intensive operations of the company is marked by Gross Current Assets (GCA) of 135 days as on March 31, 2022 as against 153 days as on March 31, 2021 due to moderate invertory holding and high other current assets. Acuité believes that going forward the company will maintain adequate liquidity position due to the gradually improving accruals.

### Outlook: Stable

Acuite believes that BSTIL will benefit from the extensive experience of the promoters and the improving scale of operations backed by segmental diversification and locational advantage. The outlook may be revised to 'Positive' if the company significantly scales up its operations while improving its profitability, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' if BSTIL's financial risk profile, particularly its liquidity, weakens most likely because of a substantial increase in its working capital requirements, or a decline in its cash accruals, or large debt funded capital expenditure or in case of decline in the company's revenues or profit margins or further elongation in its working capital cycle.

### Other Factors affecting Rating

None

### Key Financials

| Particulars | Unit | FY 22 (Actual) | FY 21 (Actual) |
|---|---|---|---|
| Operating Income | Rs. Cr. | 860.72 | 753.58 |
| PAT | Rs. Cr. | 4.50 | 3.07 |
| PAT Margin | (%) | 0.52 | 0.41 |
| Total Debt/Tangible Net Worth | Times | 1.13 | 1.01 |
| PBDIT/Interest | Times | 1.82 | 1.60 |

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

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

### Any other information

Not Applicable

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

## Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|---|---|---|---|---|
| 23 Dec 2021 | Bank Guarantee | Short Term | 21.00 | ACUITE A2 (Reaffirmed) |
| | Bank Guarantee | Short Term | 20.00 | ACUITE A2 (Reaffirmed) |
| | Cash Credit | Long Term | 10.00 | ACUITE BBB+ \| Negative (Reaffirmed) |
| | Cash Credit | Long Term | 23.00 | ACUITE BBB+ \| Negative (Reaffirmed) |
| | Cash Credit | Long Term | 37.00 | ACUITE BBB+ \| Negative (Reaffirmed) |
| | Bank Guarantee | Short Term | 14.50 | ACUITE A2 (Reaffirmed) |
| | Cash Credit | Long Term | 10.00 | ACUITE BBB+ \| Negative (Reaffirmed) |
| | Bank Guarantee | Short Term | 10.00 | ACUITE A2 (Reaffirmed) |
| 01 Jul 2020 | Bank Guarantee | Short Term | 65.50 | ACUITE A2 (Reaffirmed) |
| | Cash Credit | Long Term | 80.00 | ACUITE BBB+ \| Stable (Reaffirmed) |

## Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|---|---|---|---|---|---|---|---|---|
| Punjab National Bank | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | Simple | 20.00 | ACUITE A2 \| Reaffirmed |
| Bandhan Bank | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | Simple | 10.00 | ACUITE A2 \| Reaffirmed |
| Indian Bank | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | Simple | 14.50 | ACUITE A2 \| Reaffirmed |
| UCO Bank | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | Simple | 21.00 | ACUITE A2 \| Reaffirmed |
| UCO Bank | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | Simple | 9.00 | ACUITE A2 \| Assigned |
| Indian Bank | Not Applicable | Bank Guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | Simple | 25.50 | ACUITE A2 \| Assigned |
| UCO Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 37.00 | ACUITE BBB+ \| Stable \| Reaffirmed \| Negative to Stable |
| Indian Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 23.00 | ACUITE BBB+ \| Stable \| Reaffirmed \| Negative to Stable |
| Bandhan Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 4.00 | ACUITE BBB+ \| Stable \| Reaffirmed \| Negative to Stable |
| Punjab National Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 10.00 | ACUITE BBB+ \| Stable \| Reaffirmed \| Negative to Stable |
| Indian Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 1.00 | ACUITE BBB+ \| Stable \| Assigned |
| UCO | Not | | Not | Not | Not | | | ACUITE BBB+ \| |

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|---|---|---|---|---|---|---|---|---|
| Bank | Applicable | Cash Credit | Applicable | Applicable | Applicable | Simple | 33.00 | Stable \| Assigned |
| Bandhan Bank | Not Applicable | Working Capital Demand Loan (WCDL) | Not available | Not available | Not available | Simple | 6.00 | ACUITE BBB+ \| Stable \| Reaffirmed \| Negative to Stable |
| Indian Bank | Not Applicable | Working Capital Demand Loan (WCDL) | Not available | Not available | Not available | Simple | 36.00 | ACUITE BBB+ \| Stable \| Assigned |

## Contacts

| Analytical | Rating Desk |
|---|---|
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**About Acuité Ratings & Research**

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.