

Press Release

BTL EPC Limited

January 20, 2021



Rating Assigned

| | |
|-------------------------------------|----------------------------------|
| Total Bank Facilities Rated* | Rs. 308.00 crore |
| Long Term Rating | ACUITE BB+/ Stable (Assigned) |
| Short Term Rating | ACUITE A4+ (Assigned) |

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.308.00 crore bank facilities of BTL EPC Limited. The outlook is '**Stable**'.

Incorporated in 1966, BTL EPC Limited is a Kolkata based company engaged in manufacturing of engineering items like industrial knives, spares for thermal power plants, material handling system, heavy fabrication of mild steel, stainless steel, aluminium and various defense products. Further, BTL has forayed into EPC/turnkey projects implementation space in 2006 and executes turnkey contracts of material handling plants, process plants and various equipment and technological steel structures for infrastructure projects. BTL is also involved in assembling of power tillers (agricultural equipment). From 2014 onwards, the company has also ventured in power transmission tower and water purification business. BTL has four manufacturing facilities located in Kolkata and Durgapur in West Bengal.

The company is the flagship company of the Shrachi group and is promoted by Mr. Ravi Todi, who looks after the day to day operations of the company.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of BTL to arrive at this rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

The company has a long track record of around four decades in the manufacturing of engineering items and two decades in the execution of EPC project. The company initially started with manufacturing of engineering products in 1966. Over the years, the company has successfully diversified its business into EPC and agro division. The company is promoted by Mr. Ravi Todi, who looks after the day to day operations of the company. The board of directors comprises of six directors and the directors are ably supported by a strong and experienced line of mid-level professional managers. Acuité believes that the vast experience of the promoter and the long track record has enabled the company to build strong relationship with customers as well as suppliers, resulting in continued order flow from customers.

- **Diversified and Reputed Customer base**

BTL deals with diversified and reputed clients catering to various industries like steel, power, oil & gas, defence, fertilisers, etc. in both public and private sectors. Furthermore, BTL provides turnkey solutions for bulk materials for major clients like NTPC Limited, Bharat Heavy Electricals Limited, Steel Authority of India Limited, Indian Oil Corporation Limited, Coal India Limited etc. Since 2014, BTL has

further diversified its business by venturing into Power Transmission and execute orders for Power Transmission Corporation of Uttarakhand Ltd (PITCUL). The company also started Water division since last 5 years for water treatment for MP Jal Nigam Limited, Madhya Pradesh. Under Agro division, BTL caters to Kribhco Fertilizers Limited. Acuité believes that the company's established relationships with reputed clients will benefit the company going forward.

- **Healthy order book position**

The company has healthy orders worth around Rs. 977.00 crore which are to be executed in the next three years, thereby providing strong revenue visibility. The company's order book consists of orders mostly from reputed public sectors entities like Bharat Heavy Electricals Limited (BHEL), Steel Authority of India Limited (SAIL), Kribhco Fertilizers Limited and Hindustan Urvarak & Rasayan Limited.

The company has a substantial order of around 51 percent of total orders from Bharat Heavy Electricals Limited (BHEL) for material handling work. In fact, material handling work comprises around 86 percent of its total order book. The projects are for Pan India and include work like assembling of conveyors & conveyor spares, EPC contract for bulk Material Handling, Coal and Chemical Handling, Defense and Engineering, water and power transmission etc. Around 70 percent of its projects are on direct tendering basis. Acuité believes that the strong execution capability of the company has led to continuous flow of orders.

However, the company's revenues declined to Rs. 250 crores in FY20 from Rs. 326 crore in FY2019, marking a decline of around 23 per cent yoy. The decrease in revenue was on account of disruption in operations in March end due to COVID-19 and BTL could achieve revenues of only Rs 30 crore in the month of March 2020 as against Rs 97 crore in the previous period. However, post lockdown, the execution has been better and the company has achieved Rs. 171.21 crore till Nov,2020. While the Covid lockdown in Q1FY21 has impacted the H1FY21 revenues, Acuité believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

Weaknesses

- **Working capital intensive operations**

The company's operations are highly working capital intensive marked by Gross Current Assets (GCA) of 439 days in FY2020 as against 352 days in FY2019. High GCA days is on account of high debtor of 214 days in FY2020 as compared to 205 days in FY2019. The funds are blocked in retention money and collection period remains high as BTL deals majorly with PSUs. The inventory days stood at 66 days for FY2020 as against 48 days for FY2019. High working capital intensity is also depicted by high utilization of around 95 per cent of working capital limits in the last six months ended Nov, 2020 and around 91 per cent of non-fund based limit in the last six months ended Sep, 2020.

Debtors stood at Rs. 137.89 crore as on 30th Nov, 2020 of which Rs. 99.56 crore are debtors below 180 days and Rs.38.33 crore above 180 days. Currently, major debtors include PSUs like NTPC Limited, Bharat Heavy Electricals Limited, Power Transmission Corporation of Uttarakhand Limited and Kribhco Fertilizers Limited. The debtor days stood at 214 days for FY2020 as against 205 days for FY2019. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

- **Moderate financial risk profile**

The financial risk profile of the company is marked by modest net worth, comfortable gearing and modest debt protection metrics. The net worth of the company stood at Rs. 106.90 Cr. as on 31 March, 2020 as against Rs.103.98 Cr. as on 31st March, 2019. The gearing (debt-equity) stood low at 0.98 times in FY2020 as against 1.01 times in FY2019. The total debt of Rs.104.92 Cr. as on March 31, 2020 consists of short term borrowings of Rs.95.44 Cr, unsecured loan of Rs.7.8 cr. and long term borrowings of Rs.1.67 Cr. Moreover, the interest coverage ratio (ICR) and debt service coverage

ratio (DSCR) stood modest at 1.30 times and 1.21 times in FY2020 as compared to 1.52 times and 1.37 times in FY2019, respectively. The NCA/TD stood at 0.04 times in FY2020. Acuité believes that any major debt funded capex plans in the medium term will result in the deterioration of the financial risk profile of the company.

Rating Sensitivity

- Growth in scale of operations while sustaining operating profitability
- Sustained improvement in liquidity and timely realization from customers
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile

Material Covenants

None

Liquidity Position: Stretched

The company's liquidity is stretched marked by working capital intensive nature of operations and high utilization of its working capital limits. The company's working capital intensity is reflected from its high gross current asset (GCA) of 439 days in FY2020 as against 352 days in FY2019. This has led to high utilization of around 95 per cent of working capital limits in the last six months ended Nov, 2020 and around 91 per cent of non-fund based limit in the last six months ended Sep, 2020. The current ratio stood at 1.32 times as on March 31, 2020. The company maintained unencumbered cash and bank balances of Rs.5.16 Cr. as on March 31, 2020. Moreover, the company has availed moratorium on cash credit during Mar 2020 to Aug 2020 and has applied for Covid loan of Rs.6.80 Cr. However, Acuité also notes that the company has adequate cushion in its debt repayments. The company's net cash accruals stood at Rs. 4.41 Cr. in FY20 against its debt obligations of Rs. 0.36 Cr. over the same period. In order to ease the liquidity position, the company has registered itself at the TREDS platform to avail the bill discounting facility which has resulted in faster processing of bill at a reduced interest cost. Moreover, the security deposit in the form of BG has reduced to 3 percent from 10 percent with few customers, thereby reducing margin money. Going forward, Acuité believes that the faster monetizing of the bills will aid the company's liquidity position.

Outlook: Stable

Acuité believes the company's outlook will remain stable over the medium term on account of its experienced management, strong relationship with reputed customers, long execution track record and healthy order book position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects or further deterioration in its working capital cycle.

About the Rated Entity - Key Financials

| | Unit | FY20 (Actual) | FY19 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 249.05 | 325.32 |
| PAT | Rs. Cr. | 2.73 | 4.80 |
| PAT Margin | (%) | 1.10 | 1.48 |
| Total Debt/Tangible Net Worth | Times | 0.98 | 1.01 |
| PBDIT/Interest | Times | 1.30 | 1.52 |

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <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 (Up to last three years)

Not Applicable

*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 | 51.00 | ACUITE BB+/Stable (Assigned) |
| Term Loan | 31 st Mar,2020 | 7.75 | 31 st Mar,2021 | 5.00 | ACUITE BB+/Stable (Assigned) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE BB+/Stable (Assigned) |
| Term Loan | 16 th May,2020 | 7.85 | 31 st May,2022 | 1.00 | ACUITE BB+/Stable (Assigned) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 26.00 | ACUITE BB+/Stable (Assigned) |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 8.00 | ACUITE BB+/Stable (Assigned) |
| Term Loan | 16 th May,2020 | 7.75 | 30th Nov,2021 | 0.80 | ACUITE BB+/Stable (Assigned) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 31.00 | ACUITE A4+ (Assigned) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 33.00 | ACUITE A4+ (Assigned) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 27.00 | ACUITE A4+ (Assigned) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE A4+ (Assigned) |

| | | | | | |
|-------------------------|----------------|----------------|----------------|-------|-----------------------|
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 59.00 | ACUITE A4+ (Assigned) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE A4+ (Assigned) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 20.00 | ACUITE A4+ (Assigned) |
| Proposed Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 20.20 | ACUITE A4+ (Assigned) |

Contacts:

| Analytical | Rating Desk |
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| <p>Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in</p> <p>Priyanka Rathi Analyst - Rating Operations Tel: 033-6620-1210 priyanka.rathi@acuite.in</p> | <p>Varsha Bist Senior Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p> |

About Acuité Ratings & Research:

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