

Press Release

BTL EPC Limited

June 30, 2021

Rating Upgraded



Total Bank Facilities Rated*	Rs.313.00 Cr. (Enhanced from Rs.308.00 Cr)
Long Term Rating	ACUITE BBB-/Stable (Upgraded)
Short Term Rating	ACUITE A3 (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.313.00 Cr bank facilities of BTL EPC Limited (BTL). The outlook remains 'Stable'.

The rating upgrade on BTL takes cognizance of company's strong business risk profile marked by long track record, improved liquidity position, outgrowth in the expected revenue and significant improvement in profitability margins in FY21. The rating is further supported by the above average financial risk profile of the company characterized by high network and comfortable gearing levels. These strengths are however, partly offset by the working capital intensity of the business and the susceptibility of profitability due to volatility in input prices.

About the company

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. 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

Acuite has considered the standalone business and financial risk profiles of BTL to arrive at the rating.

Key Rating Drivers

Strengths

- Long experience of promoters**

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. Acuite 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.

- Healthy business risk profile**

The company has surpassed the expected revenue and achieved revenues of Rs.316.24 Cr till March, 2021 (Provisional) as against Rs.249.05 Cr in FY2020, thereby registering a y-o-y growth of 26.98 per cent in FY21. The increase in top line in FY21 is due to better order execution.

The operating margin of the company increased to 8.40 per cent in FY2021 (provisional) as compared to 8.07 per cent in FY2020. The PAT margins stood at 2.40 per cent in FY2021 (provisional) as against 1.10 per cent in FY2020. The increase in margin is due to reduction in expenses like travelling expenses, business promotion expenses etc. and execution of higher margin contracts. This has led to a sharp increase in NCA to Rs.9.15 crores in FY21 (provisional) as compared to Rs.4.41 crores in the preceding year. The RoCE levels stood at a comfortable level of 11.90 per cent in FY2021 (prov.) as against 9.84 per cent in FY2020. Acuite believes the profitability levels of the company will improve further in the medium term as the company is now focused on higher margin orders of spares manufacturing and has also recently bagged an order of Rs.144 Cr from BHEL ISG Bangalore.

The company has a healthy unexecuted order book position to the tune of about Rs.992.00 Cr which will be executed in the next three years, thereby providing strong revenue visibility. The company's order book consist of majority of orders from reputed public sectors entities like BHEL, SAIL, NTPC Limited, Indian Oil Corporation Limited, Coal India Limited, Kribhco Fertilizers and Hindustan Urvarak & Rasayan Limited. The company has a substantial order from BHEL constituting 60 percent of total unexecuted orders for material handling work. 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. Material handling work comprises around 84 percent of the total order value followed by power segment. Around 70 percent of its projects are on direct tendering basis. Since 2014, BTL has further diversified its business by venturing into Power Transmission and execute orders for Power Transmission Corporation of Uttarakhand Limited (PITCUL). Acuite believes that the efficient execution capability and established relationships with reputed clients will benefit the company going forward.

• **Above average financial risk profile**

The company's above average financial risk profile is marked by healthy network, comfortable gearing and modest debt protection metrics. The tangible net worth of the company improved to Rs.114.50 Cr in FY21 (provisional) from Rs.106.90 Cr in FY20 and Rs.103.98 Cr in FY19. Gearing of the company stood comfortable at 0.92 times as on 31st March, 2021 (prov.) as compared to 0.98 times as on 31st March, 2020. The debt of Rs.104.89 Cr comprises of long term borrowings of Rs.17.76 Cr, working capital borrowing of Rs.83.82 Cr, unsecured loans of Rs.1.50 Cr and current portion of long term debt repayment of Rs.1.81 Cr as on 31st March, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.31 times as on 31st March, 2021 (prov.) as against 2.53 times as on 31st March, 2020. The modest debt protection metrics of the company is marked by Interest Coverage Ratio at 1.62 times and Debt Service coverage ratio at 1.48 times as on 31st March, 2021. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.09 times as on 31st March, 2021. Acuite believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans.

Weakness

• **Working capital intensive nature of operations**

Working capital intensive nature of operations is marked by high Gross Current Assets (GCA) stood at 380 days in FY2021 (provisional) as compared to 439 days in FY2020. The high GCA days are on account of high debtor period of 198 days in FY21 (prov.) as compared to 214 days in FY20. Debtor period improved in FY21 due to better collection mechanism of the company as a result of registration in TREDs which has helped in faster realization of bills and BTL has collected Rs.290.50 crore from receivables as against Rs.316 crore of revenue booked in FY2021. Moreover, Acuite draws comfort from the reputed clientele of the company which minimises the risk of bad debts. The inventory period stood comfortable at 53 days as on March 31, 2021 as compared to 66 days as on March 31, 2020. Acuite believes that the working capital management of the company will remain intensive over the medium term as the funds remain blocked in retention money and collection period remains high as BTL deals majorly with PSUs.

Rating Sensitivity

- Any deterioration in the working capital metrics
- Growth in scale of operations
- Reduction in order flow

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.9.15 Cr in FY2021 as against a long term debt repayment of Rs.0.36 Cr over the same period. The current ratio stood comfortable at 1.54 times as on 31st March, 2021 (prov.) as compared to 1.32 times as on 31st March, 2020. Security deposit in the form of BG has reduced to 3 percent from 10 percent with few customers, thereby reducing margin money. The cash and bank balances of the company stood at Rs.4.42 Cr in FY2021 as compared to Rs.5.16 Cr in FY2020. The fund based limit remained utilised at 90 per cent over the seven months ended May, 2021. The company availed loan moratorium as well as a Covid loan of Rs.17.98 crores. Interest dues have been converted into funded interest term loan of around Rs.5.23 Cr, under the Covid-19 Regulatory Package announced by the Reserve Bank of India. Acuite believes that going forward the company's liquidity position will improve due to steady net cash accruals.

Outlook: Stable

Acuite believes that the outlook on BTL 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 and significant improvement in its financial risk profile or working capital metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity position or delay in completion of its projects or further deterioration in its working capital cycle.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	316.24	249.05
PAT	Rs. Cr.	7.60	2.73
PAT Margin	(%)	2.40	1.10
Total Debt/Tangible Net Worth	Times	0.92	0.98
PBDIT/Interest	Times	1.62	1.30

Status of non-cooperation with previous CRA

- CARE, vide its press release dated Mar 16, 2021 had denoted the rating of BTL EPC Limited as 'CARE B+/Stable/A4; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
20 January 2021	Cash Credit	Long term	51.00	ACUITE BB+/Stable (Assigned)
	Cash Credit	Long term	10.00	ACUITE BB+/Stable (Assigned)
	Cash Credit	Long term	26.00	ACUITE BB+/Stable (Assigned)
	Cash Credit	Long term	8.00	ACUITE BB+/Stable (Assigned)
	Term Loan	Long term	5.00	ACUITE BB+/Stable (Assigned)

	Term Loan	Long term	1.00	ACUITE BB+/Stable (Assigned)
	Term Loan	Long term	0.80	ACUITE BB+/Stable (Assigned)
	Bank Guarantee	Short Term	31.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	27.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	59.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	20.20	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	33.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	6.00	ACUITE A4+ (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	51.00	ACUITE BBB-/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE BBB-/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB-/Stable (Upgraded)
Term Loan	31.3.2020	7.75%	31.3.2021	5.00	ACUITE BBB-/Stable (Upgraded)
Term Loan	16.5.2020	8.45%	16.11.2022	1.00	ACUITE BBB-/Stable (Upgraded)
Term Loan	16.5.2020	7.75%	30.11.2021	0.80	ACUITE BBB-/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	31.00	ACUITE A3 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	27.00	ACUITE A3 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	59.00	ACUITE A3 (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A3 (Upgraded)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.20	ACUITE A3 (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	33.00	ACUITE A3 (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3 (Upgraded)

Contacts

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About Acuité Ratings & Research:

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