

Press Release

Bihar Foundry And Castings Limited

March 16, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	132.53	-	ACUITE A2+ Assigned
Bank Loan Ratings	271.12	ACUITE A- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	403.65	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

ACUITE has assigned the long-term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and the short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 403.65 Cr bank facilities of Bihar Foundry & Castings Limited (BFCL). The outlook is 'Stable'.

The rating factors in the strong business risk position of Bihar Foundry & Castings Ltd (BFCL) characterized by sound business risk profile of the company marked by sharp increase in the operating income along with an improvement in profitability arising from better realizations as well as cost efficiencies. The rating also factors in its experienced management, efficient collection mechanism and the healthy financial risk profile of the company characterized by strong debt coverage indicators. These strengths are, however, partly offset by the cyclical nature of the steel industry and the volatility in commodity prices.

About the Company

Incorporated in 1971, Bihar Foundry & Castings Ltd (BFCL) was promoted by Dr Hari Krishna Budhia. The company started its operations from 1978. The manufacturing facility of the company is located in Ramgarh district of Jharkhand. Presently, BFCL is engaged in the manufacturing of sponge Iron, billets and ferro-alloys product (silico-manganese and ferromanganese). The present capacity for billets and sponge Iron is 1,50,000 MTPA and 99,000 MTPA respectively and 98,395 MTPA for ferro alloys product. The company also has a captive power plant of 6MW.

Analytical Approach

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

Key Rating Drivers

Strengths

Long operational track record and experienced management

The promoters of the company have experience of more than five decades in the steel

industry. Extensive experience of the promoters have helped them in understanding the market dynamics & establishing strong relationship with their customers & suppliers. Acuité believes that the long track record of operations will benefit the company going forward, resulting in steady growth in the scale of operations.

Steady growth in revenues along with healthy profitability levels

Company has achieved revenues of Rs.870.34 Cr in FY2021 as compared to revenues of Rs. 722.67 Cr in FY2020 thereby registering a y-o-y growth of 20.43 per cent in this year. The growth in top line is on account of increase in demand for steel product and increase in sale of ferro manganese.

The operating margin of the company increased to 5.16 per cent in FY2021 as compared to 4.93 per cent in the previous year. The PAT margins stood at 1.56 per cent in FY2021 as against 1.09 per cent as on FY2020. The RoCE levels stood at a comfortable level of about 15.47 per cent in FY2021 as against 13.07 per cent in FY2020.

Ferro / Silico manganese business has driven the revenue and profitability during FY2021 aided by better cost management and sustained realisations. The positive trend persisted in the current fiscal year, indicating a better degree of sustainability, which was ably backed by firming up demand in the steel-dependent industry. The Company's long-term raw material procurement plan, as well as its index-based export contracts and stable supply contracts in the domestic market, helped it to overcome the volatility to a large extent. Acuité believes that the sustainability in the revenue growth and profitability margins would be a key monitorable going forward.

Healthy financial risk profile

BFCL's financial risk profile is marked by healthy networth, modest gearing and strong debt protection metrics. The tangible net worth of the group increased to Rs. 103.2 Cr as on March 31, 2021 from Rs.88.65 Cr as on March 31, 2020 due to accretion of reserves. Acuité has considered unsecured loans to the tune of Rs.10.50 Cr as on March 31, 2021 as part of networth as these loans are subordinated to bank debt. Gearing of the group stood moderate at 1.45 times as on March 31, 2021 as against 1.51 times as on March 31, 2020. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.69 times as on March 31, 2021 as against 2.39 times as on March 31, 2020. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 2.21 times as on March 31, 2021 and Debt Service Coverage Ratio at 1.34 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.15 times as on March 31, 2021.

BFCL is expected to install a CLU® converter for converting high carbon ferro manganese to value-added medium and low- carbon ferro manganese. Depending on market demand, BFCL can process 55000 MTPA high carbon ferro manganese into low, medium carbon ferro manganese. The capex on CLU® converter project is Rs. 77 Cr, to be funded through bank loans of Rs 55 Cr, promoter's contribution of Rs. 22 Cr. The company is expected to start the project in FY2023 and it is expected to be commissioned by January 2024. The diversification of the product portfolio from existing silico-manganese and high carbon ferro-manganese to include low and medium carbon ferro-manganese will boost the company's realization and margin markedly over its current line of products. Acuité believes that going forward the financial risk profile of the group will remain healthy over the medium term, despite having debt funded capex plans.

Efficient working capital management

The working capital management of the company is marked by Gross Current Assets (GCA) of 52 days in 31st March 2021 as compared to 77 days in 31st March 2020. The efficient level of GCA days is on account of moderate inventory levels during the same period. The inventory holding stood moderate at 36 days in 31st March 2021 as compared to 72 days as on 31st March 2020. The debtor period stood comfortable at 7 days in 31st March 2021. Acuité believes that the working capital operations of the group will remain at same level as evident from efficient collection mechanism and moderate inventory levels over the medium term. Acuité believes that the working capital operations of the group will remain at same level as evident from efficient collection mechanism and moderate inventory levels over the medium term.

Weaknesses

Intense competition and inherent cyclical nature of the steel industry

The company is exposed to intense competitive pressures from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

Rating Sensitivities

Sustainability in revenue growth and profitability margins
Elongation of working capital cycle

Material covenants

None

Liquidity Position: Adequate

BFCL's liquidity is adequate marked by steady net cash accruals of Rs.22.00 Cr as on March 31, 2021 as against long term debt repayment of Rs.11.10 Cr over the same period. The current ratio stood comfortable at 1.62 times as on March 31, 2021 as compared to 1.15 times in the preceding year. The fund based limit of the company remained utilized at ~86 per cent for last nine months ended December, 2021. The cash and bank balances of the company stood at Rs.0.04 Cr as on March 31, 2021 as compared to Rs.0.06 Cr as on March 31, 2020. Further, the company has availed loan moratorium and applied for additional covid loan. Acuité believes that going forward the group will maintain adequate liquidity position due to steady accruals

Outlook: Stable

Acuité believes that the outlook on BFCL will be 'Stable' over the medium on account of the long track record of operations, experienced management, sound business position, healthy financial risk profile and efficient working capital management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile or further elongation in its working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	870.34	722.67
PAT	Rs. Cr.	13.54	7.90
PAT Margin	(%)	1.56	1.09
Total Debt/Tangible Net Worth	Times	1.45	1.51
PBDIT/Interest	Times	2.21	1.87

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

Not Applicable

Any other information

Not Applicable

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>
- Application Of 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:

Not Applicable

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	2.50	ACUITE A2+ Assigned
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	12.85	ACUITE A2+ Assigned
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	13.18	ACUITE A2+ Assigned
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Stable Assigned
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.98	ACUITE A- Stable Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.89	ACUITE A- Stable Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.20	ACUITE A- Stable Assigned
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.91	ACUITE A- Stable Assigned
Canara Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE A- Stable Assigned
Canara Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	14.16	ACUITE A- Stable Assigned
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	0.17	ACUITE A- Stable Assigned
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	4.62	ACUITE A- Stable Assigned
Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	0.34	ACUITE A- Stable Assigned
Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	6.93	ACUITE A- Stable Assigned
Indian Overseas Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	6.41	ACUITE A- Stable Assigned
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A2+ Assigned
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	32.50	ACUITE A2+ Assigned

Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	17.50	ACUITE A2+ Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A2+ Assigned
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A2+ Assigned
Central Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A- Stable Assigned
Indian Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A- Stable Assigned
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE A- Stable Assigned
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	14.96	ACUITE A- Stable Assigned
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	14.77	ACUITE A- Stable Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	6.46	ACUITE A- Stable Assigned
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	15.72	ACUITE A- Stable Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	20.00	ACUITE A- Stable Assigned
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	7.30	ACUITE A- Stable Assigned
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	35.00	ACUITE A- Stable Assigned

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About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

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