

## Press Release

### Bihar Foundry And Castings Limited

December 12, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	33.00	ACUITE A-   Stable   Assigned	-
Bank Loan Ratings	264.47	ACUITE A-   Stable   Reaffirmed	-
Bank Loan Ratings	43.35	-	ACUITE A2+   Assigned
Bank Loan Ratings	139.18	-	ACUITE A2+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	480.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

### Rating Rationale

ACUITE has assigned and reaffirmed 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. 480 Cr bank facilities of Bihar Foundry and Castings Limited (BFCL). The outlook is '**Stable**'.

#### Rationale for the rating

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 and the healthy financial risk profile of the company characterized by steady 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 8 MW.

#### Analytical Approach

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

**Acuite Ratings & Research Limited**

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## Key Rating Drivers

### Strengths

#### Long operational track record and experienced management

BFCL's promoter, Mr. Hari Krishna Budhia and Mr. Gaurav Budhia have an experience of five decades in the steel industry. The extensive experience of the promoters has helped them in understanding the market dynamics & establishing strong relationships 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.1230.68 crores in FY2022 as compared to revenues of Rs. 870.34 crores in FY2021 thereby registering a y-o-y growth of 41.40 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 7.92 per cent in FY2022 as compared to 5.16 per cent in the previous year led by higher export of ferro/silico manganese. The PAT margins stood at 4.11 per cent in FY2022 as against 1.56 per cent as on FY2021. The RoCE levels stood at a comfortable level of about 27.47 per cent in FY2022 as against 15.47 per cent in FY2021.

Ferro / Silico manganese business has driven the revenue and profitability during FY2022 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 steady 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 network, modest gearing and strong debt protection metrics. The tangible net worth of the company increased to Rs. 153.89 crores as on March 31, 2022 from Rs.103.20 crores as on March 31, 2021 due to accretion of reserves. Gearing of the company stood moderate at 1.43 times as on March 31, 2022 as against 1.45 times as on March 31, 2021. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.04 times as on March 31, 2022 as against 1.69 times as on March 31, 2021. The debt protection metrics of the company is marked by Interest Coverage Ratio at 5.15 times as on March 31, 2022 and Debt Service Coverage Ratio at 2.30 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.27 times as on March 31, 2022.

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 crores, to be funded through bank loans of Rs 55 crores, promoter's contribution of Rs. 22 crores. Out of its initial capex of Rs 77 crore, the company has spent 34 crores till the end of H1FY23 (building and civil structure: Rs 22.45 crore, plant & machinery: Rs 11.55 crore). The ongoing capex is likely to be completed before their scheduled date of completion in 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.

### 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.

### **Susceptibility of profitability to volatile raw material and finished goods prices**

BFCL does not have any backward integration for its major raw material exposing it to availability and price risk. It purchases power from DVC with average power cost standing at Rs.4.5 per unit in FY22. The price of manganese ore and coke is highly volatile and the realization of the ferro alloys is also governed by the performance of the end-user steel industry. Thus, BFCL's profitability is highly susceptible to fluctuation in prices of the raw materials and the finished goods. However, due to its strong management and cost-effective operations, the company has been able to manage these fluctuations somewhat better as reflected in steadiness in its operating margins.

### **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.60.10 crores as on March 31, 2022 as against long term debt repayment of Rs.15.34 crores over the same period. The current ratio stood comfortable at 1.33 times as on March 31, 2022 as compared to 1.62 times in the preceding year. The fund based limit of the company remained utilized at ~65 per cent for last seven months ended October, 2022. The cash and bank balances of the company stood at Rs.0.33 crores as on March 31, 2022 as compared to Rs.0.04 crores as on March 31, 2021. 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 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.	1230.68	870.34
PAT	Rs. Cr.	50.56	13.54
PAT Margin	(%)	4.11	1.56
Total Debt/Tangible Net Worth	Times	1.43	1.45
PBDIT/Interest	Times	5.15	2.21

### **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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.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, Acuite 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Mar 2022	Cash Credit	Long Term	11.20	ACUITE A-   Stable (Assigned)
	Packing Credit	Long Term	15.00	ACUITE A-   Stable (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A2+ (Assigned)
	Working Capital Term Loan	Long Term	6.41	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	7.30	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	14.77	ACUITE A-   Stable (Assigned)
	Working Capital Term Loan	Long Term	0.30	ACUITE A-   Stable (Assigned)
	Working Capital Term Loan	Long Term	6.93	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	35.00	ACUITE A-   Stable (Assigned)
	Working Capital Term Loan	Long Term	4.62	ACUITE A-   Stable (Assigned)
	Packing Credit	Long Term	32.00	ACUITE A-   Stable (Assigned)
	Working Capital Term Loan	Long Term	0.34	ACUITE A-   Stable (Assigned)
	Working Capital Term Loan	Long Term	14.16	ACUITE A-   Stable (Assigned)
	Packing Credit	Long Term	15.00	ACUITE A-   Stable (Assigned)
	Bank Guarantee	Short Term	13.18	ACUITE A2+ (Assigned)
	Term Loan	Long Term	15.72	ACUITE A-   Stable (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A2+ (Assigned)

	Packing Credit	Long Term	8.00	ACUITE A-   Stable (Assigned)
	Letter of Credit	Short Term	17.50	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Assigned)
	Working Capital Term Loan	Long Term	0.17	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	5.98	ACUITE A-   Stable (Assigned)
	Letter of Credit	Short Term	35.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	12.85	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	14.91	ACUITE A-   Stable (Assigned)
		Long		ACUITE A-   Stable (Assigned)
	Term Loan	Term	20.00	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	14.96	ACUITE A-   Stable (Assigned)
	Cash Credit	Long Term	11.89	ACUITE A-   Stable (Assigned)
	Term Loan	Long Term	6.46	ACUITE A-   Stable (Assigned)
	Letter of Credit	Short Term	32.50	ACUITE A2+ (Assigned)

## 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	2.50	ACUITE A2+   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	12.85	ACUITE A2+   Reaffirmed
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	13.18	ACUITE A2+   Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.60	ACUITE A-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.89	ACUITE A-   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.96	ACUITE A-   Stable   Reaffirmed
Canara Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	13.18	ACUITE A-   Stable   Reaffirmed
Canara Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	0.30	ACUITE A-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.38	ACUITE A-   Stable   Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A2+   Reaffirmed
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A2+   Reaffirmed
Yes Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	21.50	ACUITE A2+   Reaffirmed
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A2+   Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.15	ACUITE A2+   Reaffirmed
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.35	ACUITE A2+   Assigned
Central Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE A2+   Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE A2+   Assigned



Central Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	32.00	ACUITE A-   Stable   Reaffirmed
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	32.00	ACUITE A-   Stable   Reaffirmed
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A-   Stable   Reaffirmed
Yes Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A-   Stable   Reaffirmed
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A-   Stable   Assigned
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	13.00	ACUITE A-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.06	ACUITE A-   Stable   Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.00	ACUITE A-   Stable   Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	6.98	ACUITE A-   Stable   Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.78	ACUITE A-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.89	ACUITE A-   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.32	ACUITE A-   Stable   Reaffirmed
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	35.00	ACUITE A-   Stable   Reaffirmed
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.60	ACUITE A-   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	8.95	ACUITE A-   Stable   Reaffirmed
Bank of India	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	Simple	14.38	ACUITE A-   Stable   Reaffirmed
Canara Bank	Not Applicable	Working Capital Demand Loan	Not available	Not available	Not available	Simple	11.20	ACUITE A-   Stable   Reaffirmed

(WCDL)



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### About Acuité Ratings & Research

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