



Press Release
BIHAR FOUNDRY AND CASTINGS LIMITED
March 11, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	312.82	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	167.18	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	480.00	-	-

Rating Rationale

ACUITE has 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 Reaffirmation

Rating reaffirmation factors in the improved operating and financial performance of BFCL in FY2023 and 9MFY2024 marked by improvement in operating income, profitability and financial risk profile. Driven by increased volumes and diversification into higher margin generating segments, albeit decline in realisation prices across product segments BFCL has reported higher operating income in 11MFY2024. The company's operating income stood at Rs. 1532.01 Cr. in 11MFY2024 as against Rs. 1500.67 Cr. in FY2023 and Rs. 1230.68 Cr. in FY2022. The operating profitability which stood at 7.40 percent in FY2023 as against 7.92 percent in FY2022, stood at 8.20 percent in 9MFY2024. The increased margins are driven by higher contribution of low and medium carbon ferro alloy products which the company began manufacturing from March, 2023 onwards. The company with sale of these products has also expanded its reach in the global market with exports in the US, Europe and other Asian countries.

Further, the company is undertaking a capex to set up a 900 TPD Sponge Iron facility and a 40MW Captive Power Plant, which is scheduled to commence October 2025 onwards. Post commencement of the ongoing power plant project, the company's captive power generation capacity shall stand at 48MW, which will meet the company's 80% of its total power requirement, leading to significant cost savings. The total project cost is estimated at Rs. 389 Cr. which to be funded vide Rs. 277 Cr. of bank debt and balance by internal accruals. As on December, 2023 the company has incurred upto Rs. 49.34 Cr. thus, underlying significant implementation risk. The funding risk for the project is low as the debt tie up for the project is completed. Going forward, the company's ability to maintain the current scale of operations and profitability margins while restricting any stretch in working capital cycle and liquidity position would be key rating moniotrables along with timely execution of the capex plan.

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.

Unsupported Rating

Not applicable

Analytical Approach

Acuité 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

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

The company's operating income improved and stood at Rs. 1532.11 Cr. in 11FY2024 as against Rs.1500.67 Cr. in FY2023 and Rs. 1230.68 Cr. in FY2022. The improvement is driven by both higher volumes and values (differing from segment to segment). The company primarily caters to 3 segments: sponge iron; billets and ferro/silico-manganese products. The company derives 50-60% of its revenue from the ferro/silico-manganese product segment. Further, in the ferro/silico manganese segment, there are three sub-segments which the company deals in – high carbon ferro manganese, medium carbon ferromanganese and low carbon ferro manganese. Medium and Low carbon manganese is a new segment which the company began producing in FY2024. These are higher value added products vis-à-vis High Carbon Ferromanganese and generate relatively higher margin vis-a-vis high carbon ferro manganese.

The company in FY2023 generated operating margin of 7.40 percent in FY2023 as against 7.92 percent in FY2022. The slight decline is primarily on account of increased cost of spares and consumables. In 9MFY2024 the company has reported EBITDA margins of 8.20 percent and is estimated to close the year in the range of 8-8.5 percent. The improvement is driven by increased contribution of medium and low carbon ferro manganese product segments, albeit decline in market prices of all product segments in which the company caters. The company reported PAT margin of 4.58 percent in FY2023 as against 4.11 percent in FY2022. In 9MFY2024 PAT margin stands at 4.78 percent.

Acuité believes that the sustainability in the revenue growth and profitability margins would be a key monitorable going forward.

Moderate financial risk profile

The company has a moderate financial risk profile marked by moderate gearing, debt protection metrics and moderate net-worth. The overall gearing of the company stood at 1.10 times as on March 31, 2023 as against 1.43 times as on March 31, 2022. The tangible networth stood at Rs.225.17 Cr. as on March 31, 2023 as against Rs.153.89 Cr. as on March 31, 2022. The total debt which stood at Rs 247.20 Cr. as on March 31, 2023 includes Rs.96.24 Cr. of long term debt, unsecured loan from promoters/directors of Rs. 5 Cr. and balance Rs. 145.96 Cr. of short term debt. The interest coverage and debt to ebitda stood at 6.36 times and 2.19 times for FY2023 as against 5.15 times and 2.22 times for FY2022.

The company is undertaking a capex plan to construct one 900 TPD Sponge Iron plant and 40MW of Captive Power Plant at a total project cost of Rs. 389 Cr. which is to be funded vide Rs. 277 Cr. of bank debt and balance by internal accruals. Acuite believes the financial risk profile will remain moderate over the near to medium term, despite implementation of a debt funded capex plan, with overall gearing estimated to remain in the range of 1-1.10 times, interest coverage between 5.5-6.5 times and debt to ebitda at less than 2 times over the near to medium term.

Weaknesses

Implementation risk

The company is undertaking a capex to set up a 900 TPD Sponge Iron facility and a 40MW Captive Power Plant, which is scheduled to commence October 2025 onwards. Post commencement of the ongoing power plant project, the company's captive power generation capacity shall stand at 48MW, which will meet the company's 80% of its total power requirement, leading to significant cost savings. The total project cost is estimated at Rs. 389 Cr. which to be funded vide Rs. 277 Cr. of bank debt and balance by internal accruals. As on December, 2023 the company has incurred upto Rs. 49.34 Cr. thus, underlying significant implementation risk. The funding risk for the project is low as the debt tie up for the project is completed. Acuite believes, the company's ability to timely complete the ongoing capex with out cost over-runs will be key rating monitorable.

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. 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.

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
- > Timely completion of ongoing capex without cost overruns

Liquidity Position

Adequate

BFCL's liquidity is adequate marked by steady net cash accruals of Rs.79.29 crores as on March 31, 2023 as against long term debt repayment of Rs.27.09 crores over the same period. The current ratio stood comfortable at 1.24 times as on March 31, 2023 as compared to 1.33 times in the preceding year. The fund based limit of the company remained utilized at ~47.27 per cent for last six months ended December, 2023. The cash and bank balances of the company stood at Rs.0.70 crores as on March 31, 2023. Acuite believes that going forward the group will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuite 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, moderate financial risk profile and efficient working capital management. The outlook may be revised to 'Positive' in case of sustainability of growth in revenue while improving its profitability margin, execution of ongoing capex on time and without cost overruns and restricting significant elongation of working capital cycle. 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1500.67	1230.68
PAT	Rs. Cr.	68.71	50.56
PAT Margin	(%)	4.58	4.11
Total Debt/Tangible Net Worth	Times	1.10	1.43
PBDIT/Interest	Times	6.36	5.15

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

Not Applicable

Any other information

None

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

Inorder 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 Dec 2022	Bank Guarantee (BLR)	Short Term	13.18	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	12.85	ACUITE A2+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	2.50	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	1.60	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	11.89	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	5.96	ACUITE A- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	13.18	ACUITE A- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	0.30	ACUITE A- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.38	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	13.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	35.15	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	17.35	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	35.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	13.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	21.50	ACUITE A2+ (Reaffirmed)
	PC/PCFC	Long Term	32.00	ACUITE A- Stable (Reaffirmed)
	PC/PCFC	Long Term	13.00	ACUITE A- Stable (Assigned)
	PC/PCFC	Long Term	32.00	ACUITE A- Stable (Reaffirmed)
	PC/PCFC	Long Term	15.00	ACUITE A- Stable (Reaffirmed)
	PC/PCFC	Long Term	20.00	ACUITE A- Stable (Assigned)
	PC/PCFC	Long Term	8.00	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.06	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	6.98	ACUITE A- Stable (Reaffirmed)
		Long		ACUITE A- Stable

	Term Loan	Term	13.78	(Reaffirmed)
	Term Loan	Long Term	5.89	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	13.32	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	35.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	13.60	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	8.95	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	14.38	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	11.20	ACUITE A- Stable (Reaffirmed)
16 Mar 2022	Bank Guarantee (BLR)	Short Term	2.50	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	12.85	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	13.18	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	5.98	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	11.89	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	11.20	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	14.91	ACUITE A- Stable (Assigned)
	Covid Emergency Line.	Long Term	0.30	ACUITE A- Stable (Assigned)
	Covid Emergency Line.	Long Term	14.16	ACUITE A- Stable (Assigned)
	Covid Emergency Line.	Long Term	0.17	ACUITE A- Stable (Assigned)
	Covid Emergency Line.	Long Term	4.62	ACUITE A- Stable (Assigned)
	Covid Emergency Line.	Long Term	0.34	ACUITE A- Stable (Assigned)
	Covid Emergency Line.	Long Term	6.93	ACUITE A- Stable (Assigned)
	Covid Emergency Line.	Long Term	6.41	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	35.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	32.50	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	17.50	ACUITE A2+ (Assigned)
	PC/PCFC	Long Term	15.00	ACUITE A- Stable (Assigned)

	PC/PCFC	Long Term	8.00	ACUITE A- Stable (Assigned)
	PC/PCFC	Long Term	32.00	ACUITE A- Stable (Assigned)
	PC/PCFC	Long Term	15.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	35.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	7.30	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	14.96	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	14.77	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	15.72	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	6.46	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.18	ACUITE A2+ Reaffirmed
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.60	ACUITE A- Stable Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.96	ACUITE A- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.24	ACUITE A- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.20	ACUITE A- Stable Reaffirmed
Central Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	28.00	ACUITE A2+ Reaffirmed
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	52.50	ACUITE A2+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	48.00	ACUITE A2+ Reaffirmed
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A2+ Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.50	ACUITE A2+ Reaffirmed
Canara Bank	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	45.00	ACUITE A- Stable Reaffirmed

Central Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.00	ACUITE A- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	36.72	ACUITE A- Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	01 May 2023	Not avl. / Not appl.	01 Dec 2031	Simple	20.00	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	01 Jul 2022	Not avl. / Not appl.	01 Sep 2027	Simple	2.24	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	01 Jul 2022	Not avl. / Not appl.	01 Jul 2027	Simple	2.77	ACUITE A- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	01 Feb 2021	Not avl. / Not appl.	01 Apr 2027	Simple	3.21	ACUITE A- Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Term Loan	01 Jul 2022	Not avl. / Not appl.	01 Dec 2028	Simple	6.29	ACUITE A- Stable Reaffirmed
Central Bank of India	Not avl. / Not appl.	Term Loan	01 Jun 2023	Not avl. / Not appl.	01 Dec 2031	Simple	35.00	ACUITE A- Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	01 Aug 2021	Not avl. / Not appl.	01 Nov 2022	Simple	13.60	ACUITE A- Stable Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	01 Aug 2021	Not avl. / Not appl.	01 Nov 2022	Simple	13.32	ACUITE A- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	01 Feb 2021	Not avl. / Not appl.	01 Jun 2025	Simple	6.14	ACUITE A- Stable Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.95	ACUITE A- Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.38	ACUITE A- Stable Reaffirmed
Canara	Not avl. /	Working Capital Demand	Not avl. /	Not avl. / Not	Not avl. / Not			ACUITE A- Stable

Bank	Not appl.	Loan (WCDL)	Not appl.	appl.	appl.	Simple	11.20	Reaffirmed
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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.

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