CRISIL Ratings

Rating Rationale

August 08, 2024 | Mumbai

BTL EPC Limited

'CRISIL BBB+/Stable/CRISIL A2' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	**Rs.100 Crore**
Long Term Rating	**CRISIL BBB+/Stable (Assigned)**
Short Term Rating	**CRISIL A2 (Assigned)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its **'CRISIL BBB+/Stable/CRISIL A2'** ratings to the bank loan facilities of BTL EPC Limited (BTL).

The ratings reflect the strong business risk profile of BTL supported by its established market presence in the bulk material handling plant division and manufacturing of engineered capital goods business, leading to sizeable scale and diversified operations. The ratings also factor in the extensive experience of the promoters, well-established clientele base and above average financial risk profile. These strengths are partially offset by working capital intensive nature of operations and susceptibility of operating performance to cyclical demand in end-user industries and tender-based business.

Key Rating Drivers & Detailed Description

Strengths:

- **Established market presence, experienced management and reputed clientele:** BTL has been engaged in the bulk material handling business for over three decades and has weathered business cycles over the years. The company derives most of its revenue from manufacturing of engineered capital goods and management of bulk material handling contract receipts, where long-term contracts with clients provide a steady source of revenue. BTL has taken up initiatives to diversify its revenue sources on both sides of the value chain, from manufacturing of equipment to execution of turnkey projects. The company has geographical and customer diversification and also continues to add new products which should continue to improve scalability. BTL has a well-established customer base with clients like Bharat Heavy Electricals Limited (BHEL), Steel Authority of India Limited (SAIL), National Aluminium Company Limited (NALCO), NTPC, Oil India Limited, Coal India Limited (CIL), Indian Oil Corporation Limited (IOCL), Tata Steel Limited (TSL) amongst others in its portfolio. The diversification is reflective of strong understanding of market dynamics owing to longstanding presence of the promoters in the industry and healthy relationships with customers and suppliers. The key promoter, Mr Ravi Todi has been associated in the industry over the past three decades and has been instrumental in business expansion and forging client relationships. The extensive experience of the promoters has helped the company bag steady contracts and scale up operations. Order book of more than Rs 1,400 crore as of June 2024, which is to be executed over the next 2-3 years provides healthy revenue visibility in the near term. Backed by strengthening business risk profile through steady order flow as well as ramped up order execution, BTL has clocked in an estimated revenue of Rs 646 crore in fiscal 2024 exhibiting 24% growth as against the previous fiscal. Consistent growth in the order book and timely execution of contracts is expected to drive the business risk profile, going forward. Maintenance of healthy order book, minimal competition in the bulk material handling project equipment division and manufacturing of engineered capital goods segment and expected orders from new projects are likely to support the market position over the medium term.

  Growing orders for turnkey solutions and higher demand for manufactured engineered capital goods such as material handling project equipments, underground mining conveyors amongst others are driven by capital expenditure (capex) incurred under various government schemes to boost capacity additions in the power and steel segment amidst expectation of increased demand. Favorable industry scenario with higher investments envisaged in end-user industries over the medium term should continue to support business risk profile. New orders from private as well as government counterparts shall enable the company in clocking a turnover of Rs 800-1000 crore over the medium term. Timely execution of orders and payment realisations without hindrances will continue to be a monitorable.

  Operating margin has been healthy estimated at 11.20% as on March 31st, 2024 on the back of execution of remunerative orders, better operational efficiency through increased contribution of manufacturing segment to revenue and better economies of scale as well as embedded price escalation clauses in the orders. Going forward, operating margin is expected to be sustained at an improved level of 12-13% over the medium term driven by benefits from economies of scale, higher productivity and leadership position of the company enabling passage of any hike in key raw material cost to customers.

- **Robust financial risk profile:** The financial risk profile should remain supported by steady accretion to reserves. Networth is healthy estimated around Rs 269 crore as on March 31st, 2024, as against Rs 232 crore a year earlier backed by steady accretion to reserves. With steady accretion to reserve, networth is expected to increase over the medium term. Capital structure is healthy as reflected by comfortable gearing estimated around 0.50 time as on March 31st, 2024 and moderate reliance on external debt amidst steady accretion to reserves shall keep gearing healthy below 1 time over the medium term. Total outside liabilities to tangible networth (TOL/TNW) ratio is estimated around 1.50 times as on March 31st, 2024 driven by back to back payment mechanism with subcontractors and labours leading to high creditors. Nevertheless, it is expected to improve over the medium term backed by steady accretion to reserves and shall remain a key monitorable. Debt protection metrics should also remain comfortable with interest coverage ratio expected around 4-5 times and net cash accrual to total debt (NCA/TD) ratio around 0.40-0.50 time going forward.

Weaknesses:

- **Large working capital requirement:** Operations are working capital intensive due to tender based nature of business and end-to end users of engineered capital goods as well as bulk material handling project equipments division comprising public and private sector power utilities and private industrial houses. Supply to large buyers, which exercise considerable bargaining power, entails a long credit period. Furthermore, the EPC business is primarily for reputed clients such as NTPC, BHEL, TSL, IOCL amongst others wherein receivables are elongated due to the long execution period of projects, milestone-based payments and the retention money requirement that is released post the defect liability period. Besides, the project billing and delivery schedule for the material handling business is usually concentrated towards the end of every fiscal, with more than 40 per cent of the sales in Q4, resulting in elevated working capital indicators as on year ending dates. Milestone-based billing along with extensive trials and testing carried out for technically critical products before the final acceptance also results in elongated receivables. Bills being raised on milestone basis are realised within 90 days post submission. With great thrust of the government on infrastructural development and fast execution of budgeted projects, debtor cycle has improved considerably from fiscal 2024 onwards and is expected to be sustained going forward as well. BTL has back-to-back arrangement with its sub-contractors. Consequently, part of the retention money is funded by way of stretching the creditors. The inventory levels of the company have been moderate around 45-60 days owing to the lengthy order execution cycle, which entails multiple inspections at various stages of execution. Consequently, GCA days net of liquid investments is expected around 220-240 days over the medium term marked by high debtor and inventory days averaging at 150 days and 45-60 days respectively.

  Although, the company has been receiving timely payments owing to budgetary allocations in place and on the back of robust industry demand scenario, any unprecedented stretch in the working capital cycle will remain a key rating sensitivity factor.

- **Susceptibility of operating performance to cyclical demand in end-user industries and tender-based business:** The demand for company's manufactured products as well as sustenance of operating performance is mainly linked to the capex programmes of end-user industries such as thermal, petroleum, power and steel, thereby exposing the company to the investment plans of its customers, especially during an economic slowdown when many companies may defer capex. BTL undertakes bulk material handling projects as well as manufacturing of engineered capital goods under engineering, procurement and construction model (EPC) and turnkey basis and bags projects by submitting bids for tenders floated by government or private entities. Hence, revenue and profitability depend on ability to bid successfully for tenders. Contracts are of 2-3 years, and non-renewal of contracts could affect revenue. Any delay or deferment of capex in end-user industries could constrain scalability. Growth in revenue also depends largely on the company's ability to bid successfully and remains susceptible to intense competition from several local players. Sustenance of healthy order book and timely order execution while sustaining profitability shall remain a key monitorable.

Liquidity: Adequate

Bank limit utilization of fund based limits was around 74% during the past twelve months through May 2024. Expected annual cash accrual of over Rs 50-70 crore per annum will be more than sufficient to meet yearly term debt repayment obligation of Rs 6-8 crore per annum, over the medium term; the remaining accrual will cushion liquidity. In addition, it shall enhance financial flexibility to cushion any exigencies, incremental working capital requirement or capex plans of the company. Healthy unencumbered liquidity in the form of cash and bank balance and fixed deposits of around Rs 30 crore as on March 31st, 2024 further support liquidity. Healthy support from promoters in the form of unsecured loans or equity infusion shall be available if needed with unsecured loan from promoters of Rs 27.70 crore as on March 31st, 2024 in the business. Current ratio is expected to be healthy over 1.50 times going forward further enhancing financial flexibility.

Outlook: Stable

BTL will continue to benefit from its established business risk profile over the medium term, supported by its healthy order position and established market presence in the MHD and O&M division, thereby ensuring healthy cash generation. The financial risk profile is likely to remain healthy, driven by sustenance of comfortable capital structure with no future debt funded capital expenditure (capex) plans

Rating Sensitivity factors

Upward factors:

- Sustenance of healthy operating performance on the back of healthy order book flow and timely execution thereby enabling healthy growth in scale of operations and operating margin leading to higher generation of cash accruals above Rs 50 crore on a sustained basis.
- Sustenance of healthy financial risk profile with no large unprecedented debt funded capital expenditure (capex) or acquisition along with improvement in TOL/TNW ratio and healthy liquidity levels

Downward factors:
- Deterioration in operating performance leading to significant decline in operating profitability, thereby reducing cash accruals below Rs 20 crore per fiscal
- Higher-than-expected debt-funded capex, any unexpected acquisitions or any elongated stretch in the working capital cycle resulting in material increase in leverage thereby significantly weakening the financial and liquidity risk profiles

About the Company

Established in the year 1996, erstwhile Bengal Tools Limited, BTL EPC Limited (BTL), manufactures engineered goods and undertakes turnkey projects on an Engineering, Procurement and Construction (EPC) basis for bulk material handling systems, Underground & Mining Conveyor systems, Chemical plant equipment like Pressure vessel, Heat exchanger, Process Column, Reactor, Ash Handling equipment and Water treatment equipment amongst others. The company specialises in manufacturing material handling systems, intake water screening equipment, and custom-built machinery and spares. It also executes turnkey contracts such as designing; engineering; fabricating; constructing; erecting mechanical, electrical, and instrumentation utilities; and testing and commissioning projects mainly in the steel, cement, and power sectors. The company derives most of its revenue from execution of design engineering, manufacturing, supply and implementation of bulk material handling projects, coal and chemical division (CCD) projects, refinery projects, ash handling amongst others. BTL has four manufacturing facilities in West Bengal and is promoted by Mr Ravi Todi.

Key Financial Indicators*

As on/for the period ended March 31	Unit	2023	2022
Operating income	Rs crore	521.33	326.79
Reported profit after tax (PAT)	Rs crore	17.06	6.71
PAT margin	%	3.27	2.05
Adjusted debt/adjusted networth	Times	0.50	0.51
Interest coverage	Times	2.33	1.53

**CRISIL Ratings' adjusted financials*

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs.Crore)	Complexity Level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	55	NA	CRISIL BBB+/Stable
NA	Bank Guarantee	NA	NA	NA	45	NA	CRISIL A2

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	55.0	CRISIL BBB+/Stable		--		--		--		--	--
Non-Fund Based Facilities	ST	45.0	CRISIL A2		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	45	State Bank of India	CRISIL A2
Cash Credit	55	State Bank of India	CRISIL BBB+/Stable

Criteria Details

Links to related criteria
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufaturing and service sector companies
CRISILs Approach to Financial Ratios

[Rating Criteria for Engineering Sector](#)
[CRISILs Criteria for rating short term debt](#)

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