SMERA RATINGS LIMITED

NIF Ispat Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Foreign Bill Discounting/Export Packing Credit*	13.90	SMERA BB+/Stable (Assigned)
Letter of Credit^	(1.90)	SMERA A4+ (Assigned)
Bank Guarantee^	(0.50)	SMERA A4+ (Assigned)
Short term (Proposed)	0.52	SMERA A4+ (Assigned)

**Fully interchangeable*
^Sub-limit of FBD/EPC

SMERA has assigned long term rating of **'SMERA BB+' (read as SMERA double B plus)** to the Rs.13.90 crore long term bank facility and **'SMERA A4+' (read as SMERA A four plus)** to the Rs.0.52 crore short term bank facility of NIF Ispat Limited (NIF Ispat). The outlook is **'Stable'**.

The ratings draw comfort from the extensive experience of NIF Ispat's promoters in the iron casting industry and the healthy growth in the revenue. The ratings also draw support from the above average financial risk profile marked by comfortable net worth, low debt equity and above average debt protection metrics. However, the ratings are constrained by the company's large working capital requirements marked by high gross current assets days and susceptibility of profit margins to volatility in raw material prices.

NIF Ispat's healthy financial risk profile is marked by low debt equity of 0.60 times, interest coverage ratio of 3.50 times and Debt Service Coverage Ratio (DSCR) of 2.76 times in FY2016 (Provisional). Moreover, the debt profile includes only working capital loans and unsecured borrowings from related parties. Further, the liquidity profile continues to remain comfortable with average bank limit utilisation of around 60 per cent in FY2016.

The scale of operations, although moderate, has improved significantly as reflected from the turnover of Rs.61.79 crore in FY2016 (Provisional) compared to Rs.42.73 crore in FY2013. However, the profitability levels are low at 2.19 per cent in FY2016 (Provisional). About 90 per cent of the revenue comes in from exports of manhole covers to markets in USA, Europe, Middle East among others.

The ratings factor in the working capital intensive operations marked by high gross current asset days of 173 days in FY2016 (Provisional) as against 183 days in FY2015 largely due to funds getting blocked in inventory and debtors. The inventory and debtor days stood at 63 days and 84 days respectively in FY2016 (Provisional) as compared to 74 days and 85 days in FY2015.

Outlook – Stable

SMERA believes NIF Ispat will maintain a stable outlook over the medium term while benefitting from its long operational track record, experienced management and financial risk profile. The outlook may be revised to 'Positive' if the company registers substantial growth in revenues while improving profitability. Conversely, the outlook may be revised to 'Negative' if the company fails to register expected growth in revenue or if the working capital cycle further deteriorates.

Rating Sensitivity Factors

- Improvement in scale of operations and profitability
- Efficient working capital management

Criteria applied to arrive at the rating:

- Manufacturing entities

About the Company

NIF Ispat, established in 1955 is engaged in the manufacture of cast iron products, mainly manhole covers at Howrah, West Bengal. The manufacturing capacity stands at 17,000 MT per annum. The day-to-day operations are managed by Mr. Girish Kumar Madhogaria.

For FY2015-16 (Provisional) (refers to financial year April 01 to March 31), NIF reported profit after tax (PAT) of Rs.1.35 crore on operating income of Rs.61.79 crore, as compared with profit after tax (PAT) of Rs.0.97 crore on operating income of Rs.57.05 crore in FY2014-15.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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