

Press Release

NIF ISPAT LIMITED

25 January, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 14.42 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.14.42 crore bank facilities of NIF ISPAT LIMITED (NIF Ispat). The outlook is '**Stable**'.

NIF Ispat, incorporated in 1955 is a West Bengal-based company engaged in the manufacturing of cast iron and ductile iron products. The company has manufacturing capacity of 18,000 MT per annum and is led by Director, Mr. Girish Kumar Madhogaria with experience of more than three decades in the industry.

Key Rating Drivers

Strengths

- **Established track record of operations, experienced management**

NIFIL was incorporated in 1955 by Mr. Girish Kumar Madhogaria, Managing Director (the fourth generation entrepreneur) with experience of more than three decades in the industry.

- **Moderate scale of operations and profitability**

The scale of operations has been moderate over the last three years marked by revenue of Rs 53.61 crore in FY2017 as against Rs. 61.60 crore in FY2016. Around 90 per cent of the revenue is generated through exports to USA, Europe, and Middle East. The decline in revenue is due to revision in prices of final products. The company registered operating margin of 6.03 per cent in 2017 as against 5.70 per cent in 2016.

- **Moderate financial risk profile**

The financial risk profile stands moderate marked by networth of Rs. 23.46 crore as on 31 March 2017. The gearing (Debt to equity) stood at 0.87 times as on 31 March 2017 as against 0.76 times in the previous year owing to increase in total debt. The total debt of Rs.20.46 crore as on 31 March, 2017 comprises loans and advances from related parties of Rs.6.87 crore and working capital borrowings of Rs. 13.59 crore. The Interest Coverage Ratio stood at 4.38 times in FY2017 as against 3.50 times in the previous year. This is due to reduced interest obligation on advances from related parties. SMERA believes that the company will maintain a stable financial risk profile over the medium term.

Weaknesses

- **Working capital intensive operations**

The company has high working capital requirements reflected in the high Gross Current Assets (GCA) of 197 days (PY: 172 days) in FY2017. This was on account of high debtors days stood at ~75 days in FY2017 as against 83 days in FY2016 leading to higher working capital requirements. The inventory storage stood at ~70 days in FY2017 as against 63 days in FY2016.

- **Susceptibility of margins to volatility in raw material prices**

Raw material forms a major component of the total cost for the company. The prices of pig iron, the basic raw material for NIF Ispat's products are volatile in nature affecting the profit margins of the company. Further, the company exports around 90 per cent of its sales. As a result, the profit margins are susceptible to foreign exchange fluctuation risk.

Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the company to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on NIF Ispat will remain Stable over the medium term owing to its established position in the iron and steel industry. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenue along with improvement in profitability while maintaining its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of further decline in scale of operations or profitability thereby affecting the financial risk profile or liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	53.61	61.60	57.05
EBITDA	Rs. Cr.	3.23	3.51	3.61
PAT	Rs. Cr.	1.06	1.35	0.97
EBITDA Margin	(%)	6.03	5.70	6.34
PAT Margin	(%)	1.98	2.19	1.70
ROCE	(%)	6.25	8.20	16.38
Total Debt/Tangible Net Worth	Times	0.87	0.76	0.76
PBDIT/Interest	Times	4.38	3.50	2.55
Total Debt/PBDIT	Times	6.28	4.57	4.40
Gross Current Assets (Days)	Days	197	172	183

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
14-Nov, 2016	Packing Credit	Long Term	INR 13.90	SMERA BB+ / Stable
	Proposed Short Term	Short Term	INR 0.52	SMERA A4+

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Foreign bill discounting	Not Applicable	Not Applicable	Not Applicable	13.90*^	SMERA BB+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.52	SMERA A4+

*fully interchangeable with export packing credit

^sub limit to letter of credit (Rs. 1.90 crore) and bank guarantee (Rs. 0.50 crore)

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ABOUT SMERA

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