

Press Release

NIF Ispat Limited

November 08, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.75	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	64.25	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	90.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.90.00 Cr bank facilities of NIF Ispat Limited (NIFIL). The outlook is '**Stable**'.

Rationale for the rating assigned

The rating takes into account the sound business position as reflected in consistent improvement in the operating income of the company. The rating also considers the experienced management, the company's long track record of operations and the above average financial risk profile characterized by healthy debt coverage indicators. These strengths are, however, offset by the working capital intensive nature of operations and the exposure to the volatility in the prices of the raw materials.

About the Company

Incorporated in 1955, NIF Ispat Limited (NIFIL) is based in West Bengal and is headed by Mr. Girish Kumar Madhogaria, Mr. Sugam Madhogaria and Mrs. Pushpa Madhogaria. The company is ISO 9001:2008 certified and is engaged in the manufacturing of cast iron and ductile iron castings. NIFIL operates in the domestic market and also exports to USA and Europe.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of NIFIL to arrive at the rating.

Key Rating Drivers

Strengths

- Long operational track record and experienced management

NIFIL was incorporated in 1955 and has a long operational track record of more than six

decades in the cast iron and ductile iron manufacturing business. The promoters', Mr. Girish Kumar Madhogaria, Mr. Sugam Madhogaria and Mrs. Pushpa Madhogaria, with over two decades of experience in the industry, manages the operations of the company along with adequate support from a set of key professionals. The company caters majorly to the export market. Acuité believes that, the long track of operations and the extensive experience will continue to benefit the company going forward.

- **Sound business risk profile supported by growth in revenue**

The company has achieved revenues of Rs.132.86 Cr in FY2022 as compared to Rs.92.66 Cr in FY2021. Further, NIFIL has generated revenues of Rs.105.60 Cr till September, 2022 (provisional). The increase in the operating income of around 43 per cent in FY2022 is on account of healthy repetitive orders by the reputed clientele and its timely execution along with the rising opportunities and demand for cast iron and ductile iron in both domestic and export market. Moreover, the company has an unexecuted order pipeline to the tune of Rs.16.96 Cr to executed within December, 2022. Acuité believes that the sustenance of the regular orders backed by the established clientele base will continue to benefit the company's growth plans going forward.

- **Above average financial risk profile**

The above average financial risk profile is marked by improving net worth, healthy debt protection metrics and moderate gearing. The tangible net worth of the company increased to Rs.54.46 Cr as on March 31, 2022 from Rs.47.23 Cr as on March 31, 2021 due to accretion of reserves. Acuité has treated unsecured loans of Rs.13.08 Cr in FY2022 as a part of net worth as the management has undertaken to maintain this amount in the business over the medium term. Gearing of the company stood at 1.06 times as on March 31, 2022 as against 0.97 times as on March 31, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.32 times as on March 31, 2022 as against 1.11 times as on March 31, 2021. The healthy debt protection metrics is marked by Interest Coverage Ratio at 3.52 times as on March 31, 2022 and Debt Service Coverage Ratio at 1.83 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.15 times as on March 31, 2022. Acuité believes that going forward the financial risk profile will remain above average over the medium term, in absence of any major debt funded capex plans.

Weaknesses

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by Gross Current Assets (GCA) of 232 days in FY2022 and in FY2021 as well. The high level of GCA days is on account of prolonged collection days and high stock holding period. The debtor days stood at 117 days in 31st March 2022 as compared to 120 days in 31st March 2021 due to increase in shipping period. The inventory holding stood at 94 days in 31st March 2022 as compared to 103 days as on 31st March 2021. Acuité believes that the working capital operations of the company will remain at similar levels as evident from the extended collection mechanism and high inventory levels over the medium term.

- **Exposure to volatile raw material prices**

The major raw materials required by NIFIL are pig iron, MS scrap and coal. The prices of such raw materials are highly volatile in nature. Acuité believes that variation in the raw material prices without corresponding change in finished goods' realizations can dent the margins in the absence of price escalation clause in the contracts.

Rating Sensitivities

- Increase in the operating income
- Elongation in the working capital cycle

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.8.82 Cr as on March 31, 2022 as against long term debt repayment of Rs.2.89 Cr over the same period. The current ratio stood moderate at 1.54 times as on March 31, 2022 as compared to 1.53 times as on March 31, 2021. The cash and bank balances of the company stood at Rs.0.65 Cr as on March 31, 2022 as compared to Rs.0.42 Cr as on March 31, 2021. However, the fund based limit remains utilised at 93 per cent over the six months ended September, 2022. The nature of the working capital management is intensive marked by Gross Current Assets (GCA) of 232 days in FY2022. Acuite believes that going forward the company will maintain adequate liquidity position due to the gradually improving cash accruals.

Outlook: Stable

Acuite believes that the outlook on NIFIL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, above average financial risk profile and improvement in the operating income. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further 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.	132.86	92.66
PAT	Rs. Cr.	4.84	3.95
PAT Margin	(%)	3.64	4.26
Total Debt/Tangible Net Worth	Times	1.06	0.97
PBDIT/Interest	Times	3.52	4.42

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>
- 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.

Rating History:
Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A3 Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	5.89	ACUITE BBB- Stable Assigned
HDFC Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	4.30	ACUITE BBB- Stable Assigned
State Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	25.20	ACUITE A3 Assigned
HDFC Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.52	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE A3 Assigned
Not Applicable	Not Applicable	Proposed Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.05	ACUITE A3 Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.04	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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