

**Press Release**  
**NIF Ispat Limited**  
**March 05, 2024**



**Rating Upgraded and Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	64.00	ACUITE BBB   Stable   Upgraded	-
Bank Loan Ratings	20.00	Not Applicable   Withdrawn	-
Bank Loan Ratings	6.00	-	ACUITE A3+   Upgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	70.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	20.00	-	-

**Rating Rationale**

Acuite has Upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE t riple B**) from '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) and the short-term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.70.00 Cr. bank facilities of NIF Ispat Limited (NIFIL). The outlook remains '**Stable**'.

Further, Acuite has withdrawn the long-term bank facilities on the Rs 20.00 Cr. of NIF Ispat Limited without assigning any rating as it is a proposed facility.

The rating has been withdrawn on account of the request received from the company on Acuite's policy of withdrawal of ratings as applicable to the respective instrument/facility.

**Rationale for Upgrade**

The rating upgrade takes into account the sound business risk profile of the company majorly driven by improvement in revenues and profitability. The revenues from operations of the company Rs. 183.60 Cr in FY2023 as compared to revenues of Rs. 132.86 Cr in FY2022, increase in average realization per unit of Ductile Iron and Cast Iron during the period. Furthermore, the operating profit margin of the company increased to 12.58% in FY2023 from 10.92% in FY2022. The increase in margin is due to the reduction in raw material costs, as the orders were booked at better pricing.

The rating also draws comfort from established track record of its promoters. The rating also factors the above average financial position of the company characterized by comfortable capital structure and debt protection metrics. The liquidity position of the company is also adequate, which is reflected in sufficient net cash accruals, moderate current ratio and absence of debt funded capex plans.

However, these strengths are partially offset by the working capital intensive nature of operations, volatility in raw material prices and the exposure to the foreign exchange rate fluctuation.

**About the Company**

Incorporated in 1955, NIF Ispat Limited (NIFIL) is based in West Bengal and is headed by Mr. Girish Kumar Madhogaria and Mr. Sugam 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.

## Unsupported Rating

Not Applicable

## Analytical Approach

Acuité 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 manages the operations of the company. The company has a long-standing presence in cast-iron and ductile iron casting segment. The company caters majorly to export market in USA and Europe. Acuité believes that, the long track of operations and the extensive experience will continue to benefit the company going forward.

- **Steady scale of operations**

The company has achieved revenues of Rs. 183.60 Cr. in FY2023 as compared to revenues of Rs. 132.86 Cr. in FY2022. The turnover of the company has been growing at y-o-y of more than 38.20 per cent. The improvement in revenues is majorly on account of increase in average realization per unit of Ductile Iron and Cast Iron during the period. Further the company has already achieved revenue of around Rs.120.78 Cr. till Dec'23 (Provisional). NIFIL has an unexecuted healthy order book position to the tune of about Rs.50.82 Cr. as on 31<sup>st</sup> December, 2023 which will be executed shortly in 3 months, thus providing moderate revenue visibility over the medium term.

Further, the operating margin of the company increased to 12.58 per cent in FY2023 from 10.92 per cent in FY2022. The increase in margin is due to the reduction in raw material costs and the orders were booked at premium prices. The PAT margins stood at 5.47 per cent in FY2023 as against 3.64 per cent as on FY2022. The Return on Capital Employed (ROCE) of the company stood comfortable at 15.88 per cent as on FY2023 as compared to 10.63 per cent as on FY2022. Acuite believes that going forward, the profitability margins will remain at the similar levels over the medium term.

- **Above average financial risk profile**

The above average financial risk profile of the company is marked by improving net worth, moderate gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.51.42 Cr. as on March 31, 2023 as compared to Rs.41.37 Cr. as on March 31, 2022 due to steady accretion to reserves. The gearing of the company stood moderate at 1.35 times as on 31 March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.50 times as on March 31, 2023. The debt protection metrics of the company remain moderate marked by Interest coverage ratio (ICR) of 4.55 times and debt service coverage ratio (DSCR) of 2.00 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.21 times in FY2023.

The company invested Rs. 4.61 Cr. in capital expenditures during FY 2023, funded internally, to expand the manufacturing capacity of ductile iron from 8000 metric tons to 12000 metric tons and cast iron from 14400 metric tons to 18000 metric tons. Further, the company has initiated a capital expenditure of Rs. 8.00 Cr. financed internally, to expand the manufacturing capacity

of ductile iron from 12000 metric tons to 18000 metric tons in FY 2024.

Going forward, Acuité believes that going forward the financial risk profile will remain similar over the medium term, supported by healthy internal accrual generation, even though the company is expected to incur capex to be funded largely by internal accruals.

### **Weaknesses**

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high albeit improving Gross Current Assets (GCA) of 172 days for FY2023 as compared to 232 days for FY2022. The GCA days are mainly on account of high receivables days and inventory days. The debtor days of the company stood at 86 days for FY2023 as against 117 days for FY2022. Further, the inventory days of the company stood at 83 days in FY2023 as compared to 97 days in FY2022. Against this, the company has minimal dependence on its suppliers to support the working capital; creditors stood at 8 days for FY 2023 as against 18 for FY 2022.

Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

- **Susceptibility to foreign risk fluctuations and volatile raw material prices**

NIFIL is engaged in the exporting the products and is exposed to the foreign exchange transactions. Half of the foreign exchange fluctuation risks are covered by forward contracts and the remaining part remains unhedged.

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 and any variation in the same without corresponding change in finished goods sales prices would lead to pressure on the margins in the absence of price escalation clause in the contracts.

### **Rating Sensitivities**

- Growth in revenue with sustainability of the profitability margins
- Elongation in the working capital cycle
- Sustenance of the capital structure

### **Liquidity Position**

#### **Adequate**

The company has adequate liquidity marked by the steady net cash accruals of Rs.14.71 Cr. as on March 31, 2023 as against Rs. 4.80 Cr long term debt obligations over the same period. The cash and bank balance stood at Rs. 2.64 Cr for FY 2023. Further, the current ratio of the company stood comfortable at 1.65 times in FY2023. Moreover, the bank limit of the company has been ~72.38 percent utilized for the last six months ended in December 2023. However, the working capital intensive nature of operations of the company is marked by high albeit Gross Current Assets (GCA) of 172 days for FY2023 as compared to 232 days for FY2022.

Acuité believes that the liquidity of the company is likely to remain similar on account of improving cash accruals, absence of debt funded capex plans over the medium term.

### **Outlook: Stable**

Acuité 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	183.60	132.86
PAT	Rs. Cr.	10.04	4.84
PAT Margin	(%)	5.47	3.64
Total Debt/Tangible Net Worth	Times	1.35	1.71
PBDIT/Interest	Times	4.55	3.52

### 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

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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Jan 2023	PC/PCFC	Long Term	25.20	ACUITE BBB-   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	5.89	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Packing Credit	Long Term	8.05	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	15.04	ACUITE BBB-   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	4.30	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Packing Credit	Long Term	11.00	ACUITE BBB-   Stable (Reaffirmed)
	PC/PCFC	Long Term	17.00	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.52	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A3 (Reaffirmed)
08 Nov 2022	PC/PCFC	Short Term	25.20	ACUITE A3 (Assigned)
	Proposed Packing Credit	Short Term	8.05	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A3 (Assigned)
	Proposed Packing Credit	Short Term	11.00	ACUITE A3 (Assigned)
	PC/PCFC	Short Term	17.00	ACUITE A3 (Assigned)
	Covid Emergency Line.	Long Term	5.89	ACUITE BBB-   Stable (Assigned)
	Term Loan	Long Term	15.04	ACUITE BBB-   Stable (Assigned)
	Covid Emergency Line.	Long Term	4.30	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.52	ACUITE BBB-   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
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A3+   Upgraded ( from ACUITE A3 )
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A3+   Upgraded ( from ACUITE A3 )
HDFC Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	44.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BBB   Stable   Upgraded ( from ACUITE BBB- )
Not Applicable	Not avl. / Not appl.	Proposed Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.05	Not Applicable   Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.00	Not Applicable   Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.95	Not Applicable   Withdrawn



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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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