

Press Release

Narmada Iron And Associates Private Limited

May 23, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 49.50 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (read as **SMERA triple B**) on the Rs.49.50 crore bank facilities of Narmada Iron And Associates Private Limited. The outlook is '**Stable**'.

Established in 1998 as Narmada Enterprises, the company was renamed Narmada Iron And Associates Private Limited (NIAPL) and reconstituted into a private limited company in 2003. After trading in steel long products initially, the company is focusing on flat products consisting of HR Coils, PM plates, HR plates/sheets and CR coils. The main source for procurement of materials is SAIL, Essar, JSPL and self-imports from around the world. The company is currently having ~400 customer base which includes semi whole sellers, suppliers and end users.

Key Rating Drivers

Strengths

- **Experienced management:**

The company is promoted by Mr. Sankar Sultania and Mr. Amar Sultania with over two decade of experience in the steel trading industry. Mr. Shankar Sultania started steel business in 1997 as a proprietorship firm named Narmada Enterprise. The company enjoys strong customer base with long standing relationships with the customers.

- **Comfortable working capitalcycle:**

The company has working capital cycle of 58 days largely on account of debtors of 36 days and inventory of 47 days as on March 31, 2017 compared to Working Capital (WC) of 80 days due to higher inventory of 69 days as on March 31, 2016. Further, the Wc cycle stands at 58 days as on Mar 31, 2018 (prov.). Creditor days stood at 25 as on March 31, 2017 compared to 13 days as on March 31, 2018 (prov.). The overall WC cycle is comfortable.

Weaknesses

- **Average financial riskprofile:**

The financial risk profile is marked by debt of Rs.58.96 crore as on March 31, 2017 compared to Rs.70.62 crore as on March 31, 2016. The gearing is at 1.47 times as on March 31, 2017. Total debt has further increased to Rs.91.38 crore with the net worth at Rs.65.36 crore as on March 31, 2018 compared to networth of Rs.40.15 crore as on March 31, 2017. The net margins are thin at 0.95 percent in FY2017. The margins of the company would be dependent on the volatility of the steel prices and ability to pass on the same to the customers in the medium term.

• **Competitive and fragmented nature of industry**

The company competes with some of the major players in the trading industry thus limiting the pricing power. Also, the company competes with unorganised segment which forms a major part of this market. Also, being in the trading business the margins are low in the range of 1.5-2 percent over the years.

Analytical Approach:

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of NIAPL.

Outlook: Stable

SMERA believes that the outlook of the NIAPL will remain 'Stable' over the medium term on account of healthy revenue visibility. The outlook will be revised to 'Positive' if the company is able to increase the scale of operations while maintaining healthy profitability. On the contrary, the outlook will be revised to 'Negative' in a scenario of decline in the scale of operations resulting into decline in the revenues affecting margins and liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	493.07	351.08	384.56
EBITDA	Rs. Cr.	11.94	6.88	6.58
PAT	Rs. Cr.	4.68	2.28	1.88
EBITDA Margin (%)	(%)	2.42	1.96	1.71
PAT Margin (%)	(%)	0.95	0.65	0.49
ROCE (%)	(%)	13.08	8.66	16.85
Total Debt/Tangible Net Worth	Times	1.47	2.15	1.94
PBDIT/Interest	Times	2.24	1.78	1.55
Total Debt/PBDIT	Times	4.55	8.16	7.64
Gross Current Assets (Days)	Days	91	112	71

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>

Note on complexity levels of the rated instrument:

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

Rating History (Upto last three years):

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Channel Financing	Not Applicable	Not Applicable	Not Applicable	49.50	SMERA BBB / Stable

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