

Press Release

Nutan Ispat and Power Private Limited (NIPPL)

June 28, 2018

Rating Assigned



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 47.24 Cr. |
| Long Term Rating | ACUITE BBB- / Outlook:Stable |
| Short Term Rating | ACUITE A3 |

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.47.24 crore bank facilities of Nutan Ispat and Power Private Limited. The outlook is '**Stable**'.

Nutan Ispat & Power Pvt Ltd (NIPPL), incorporated in 2002, was promoted by the Raipur-based Agarwal family. The management of NIPPL was taken over in September 2016, by the Raipur based Khetan Family owned business group. The day to day affairs of the company are looked after by Mr. Prashant Khaitan who as an experience of about one and half decade in the steel industry.

NIPPL is engaged in the production of sponge iron (60,000 MTPA) and TMT rods (1,50,000 MTPA). Apart from this, company has furnace division with an installed capacity of 88,000 MTPA. The manufacturing facility of the company is located in Raipur, Chhattisgarh.

Key Rating Drivers

Strengths

• Experienced management

The existing management of the company are experienced in manufacturing of Iron and Steel and belong to Khetan Family, Tola Family and Chowdhary family. They have been engaged in manufacturing Iron and Steel Products for the past 12 years

• Moderate financial risk profile

NIPPL has a moderate financial risk profile marked by adjusted net worth of Rs. 37.74 crore (Prov) as on 31 March, 2018 compared to Rs. 24.36 crore as on 31 March, 2017. The total debt of Rs.27.68 crore (Prov) comprises term loan of Rs. 0.24 crore from banks, unsecured loans from related parties of Rs.8.34 crore and working capital funds of Rs. 19.11 crore as on 31 March, 2018. Unsecured loans have been subordinated to the bank and hence the same have been considered a part of their net-worth. The adjusted gearing stood at 0.75 times (Prov) as on 31 March, 2018 as against 2.06 times as on 31 March, 2017. The interest coverage ratio stood at 1.86 times (Prov) in FY2018 as against 1.53 times in FY2017. The net cash accruals stood at Rs.4.10crore (Prov). Going forward, ACUITE expects the firm to maintain its financial risk profile in the absence of major debt funded capex plan.

Weaknesses

• Working capital intensive operations

The operations of the company are working capital intensive in nature marked by Gross Current Assets (GCA) days of 166 (Prov) for FY2018 and 407 in FY2017. The GCA days are high on account of high inventory holding period of 116 days (Prov) in FY2018 and 243 Days in FY2017. The liquidity position of the firm is stretched as the cash credit limit is 90% utilized during the last six months ended 31 March, 2018.

• Susceptible to raw material price fluctuation

The margins of the company are susceptible to volatility in raw material prices which have been uneven during the period under study. Significant changes in raw material prices due to import pressure and over supply may have an impact on the margins of the company.

• Inherent cyclicity of the steel industry

Prospects of the steel industry are strongly co-related to economic cycles. Demand for steel is sensitive to trends of particular industries, viz, automotive, construction, infrastructure and consumer durables, which are the key consumers of steel products. These key user industries in turn depend on various macroeconomic factors, such as consumer confidence, employment rates, interest rates and inflation rates, etc. in the economies in which they sell their products. When downturns occur in these economies or sectors, the steel industry may witness a decline in demand.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the NIPPL to arrive at this rating.

Outlook: Stable

Acuite believes NIPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its experienced management and financial risk profile. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 160.52 | 70.80 | 48.05 |
| EBITDA | Rs. Cr. | 9.88 | 10.32 | (12.11) |
| PAT | Rs. Cr. | 1.38 | 0.78 | (2.81) |
| EBITDA Margin | (%) | 6.15 | 14.57 | (25.21) |
| PAT Margin | (%) | 0.86 | 1.10 | (5.85) |
| ROCE | (%) | 10.95 | 10.70 | 5.28 |
| Total Debt/Tangible Net Worth | Times | 0.73 | 2.06 | 1.93 |
| PBDIT/Interest | Times | 1.86 | 1.53 | 1.12 |
| Total Debt/PBDIT | Times | 2.67 | 4.79 | 6.29 |
| Gross Current Assets (Days) | Days | 166 | 407 | 539 |

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

None

Any other information

None

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Criteria For Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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 |
|------------------------|------------------|----------------|----------------|-------------------------------|--------------------|
| Cash Credit I | Not Applicable | Not Applicable | Not Applicable | 26.00 | ACUITE BBB-/Stable |
| Cash Credit II | Not Applicable | Not Applicable | Not Applicable | 6.00 | ACUITE BBB-/Stable |
| Term Loan | Not Applicable | Not Applicable | Not Applicable | 0.24 | ACUITE BBB-/Stable |
| Bank Guarantee I | Not Applicable | Not Applicable | Not Applicable | 4.00 | ACUITE A3 |
| Bank Guarantee II | Not Applicable | Not Applicable | Not Applicable | 4.00 | ACUITE A3 |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 7.00 | ACUITE A3 |

Contacts

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About Acuité Ratings & Research:

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