

Press Release

Nutan Ispat and Power Private Limited

September 19, 2019



Rating Withdrawn

Total Bank Facilities Rated	Rs.47.24 Cr. #
Long Term Rating	ACUITE BBB- (Withdrawn)
Short Term Rating	ACUITE A3 (Withdrawn)

Refer Annexure for details

Acuité has withdrawn the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the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 (NIPPL).

The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuité's policy on withdrawal.

Nutan Ispat and Power Private Limited (NIPPL), incorporated in 2002, was promoted by a 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 has 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, the company has furnace division with an installed capacity of 88,000 MTPA. The manufacturing facility of the company is located in Raipur, Chhattisgarh.

Analytical Approach

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

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 the manufacturing of 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. 42.24 crore as on 31 March, 2019 (Provisional) compared to Rs 37.82 crore as on 31 March, 2018. The total debt of Rs.61.40 crore (Provisional) comprises term loan of Rs. 0.11 crore from banks, unsecured loans from related parties of Rs.28.71 crore and working capital funds of Rs. 32.58 crore. Unsecured loans of Rs. 12.00 crore have been subordinated to the bank, and hence the same have been considered a part of their net-worth. The adjusted gearing stood at 1.45 times (Provisional) as on 31 March, 2019 as against 1.06 times as on 31 March, 2018. The interest coverage ratio stood at 2.72 times (Provisional) in FY2019 as against 1.82 times in FY2018. The net cash accruals stood at Rs.7.01 crore (Provisional).

Weaknesses

- Competitive and fragmented industry**

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 would have an impact on the margins of the company.

- Inherent cyclical 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, among others 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.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	330.69	131.24	70.80
EBITDA	Rs. Cr.	14.95	9.35	10.32
PAT	Rs. Cr.	4.47	1.46	0.78
EBITDA Margin	(%)	4.52	7.13	14.57
PAT Margin	(%)	1.35	1.11	1.10
ROCE	(%)	14.01	9.23	10.70
Total Debt/Tangible Net Worth	Times	1.45	1.06	1.05
PBDIT/Interest	Times	2.72	1.82	1.53
Total Debt/PBDIT	Times	4.02	4.15	3.65
Gross Current Assets (Days)	Days	94	231	407

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-17.htm>
- Financial Ratios And Adjustments- <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Jun-2018	Cash credit	Long Term	26.00	ACUITE BBB-/Stable (Assigned)
	Cash credit	Long Term	6.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	0.24	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	7.00	ACUITE A3 (Assigned)

#Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash credit	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE BBB- (Withdrawn)
Cash credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB- (Withdrawn)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.24	ACUITE BBB- (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3 (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3 (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3 (Withdrawn)

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About Acuité Ratings & Research:

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