

Press Release

NR Ispat & Power Private Limited

13 January 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 51.00 Cr.
Long Term Rating	ACUITE BBB+/Stable (Reaffirmed)
Short Term Rating	ACUITE A2 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and reaffirmed short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) to the Rs.51.00 crore of bank facilities of NR Ispat & Power Private Limited (NRPL). The outlook is '**Stable**'.

NR Ispat & power Private Limited was incorporated in 2008 and engaged into manufacturing of Sponge iron, billet and TMT. Company has installed capacity of 60,000 MT per annum for sponge iron, 68000 MT per annum for Ms Billet. Company had rented its rolling mills of 40,000 MT per annum from its associate concern.

NR TMT India Pvt Ltd is part of NR group which has billet unit with a capacity of 115200 MT per annum. In FY19, company had added a rolling mill with installed capacity of 110000 MT per annum.

Seleno Steels Limited had changed its name of NRVS Steel Limited. Company was acquired by NR group in FY18.

Analytical Approach:

Acuite has taken a consolidated view of NR Ispat & Power Private Limited, NR TMT India Private Limited and NVRS Steels Limited (Formerly Seleno Steels Limited) as all the 3 entities are in the same line of business, common management and operational and financial linkages (NR TMT India India procures sponge iron from NRVS Steels Limited) and NR Ispat & Power Private Limited has 42 percent of holding in NVRS Steels Limited. The group herein is referred to as NR Group.

Key Rating Drivers:

Strengths

Experienced management.

The NR group is promoted by Agrawal family of Raigarh (Chattisgarh). Group is managed by Mr. Sanjay Agarwal who has two decades of experience in steel business. Group has integrated operation as group produces both intermediate and long products. In order to further integrate its operations, management has undertaken capex plan to enhance capacity of sponge iron and billet along with setting up of 15 Megawatt of captive power plant.

Healthy financial risk profile

The financial risk profile of the group is marked by healthy net worth, comfortable gearing and strong debt protection metrics. The net worth of the group stands at Rs.127.37 crore in FY2019 as compared to Rs.96.42 crore in FY2018. This improvement in Net worth is mainly due to retention of current year profit along with infusion of Rs.4.86 crores quasi equity. In NRVS steel, there was an addition of unsecured loan which is subordinate to company's external debt which has been treated as quasi equity by Acuite. The gearing of the group stands at 0.89 times as on March 31, 2019 when compared to 0.63 times as on March 31, 2018. The total debt of Rs.104.13 crore in FY2019 consists of short-term loan of Rs.46.27 crore, unsecured loan from promoters of Rs.8.73 crore and long-term debt of Rs.53.26 crore. Interest coverage ratio (ICR) is strong and stands at 4.87 times in FY2019 as against 4.20 times in FY 2018. The debt service coverage ratio (DSCR) also stands comfortable at 1.72 times in FY2019 as against of 1.79 times in FY2018. The net cash accruals against

total debt (NCA/TD) stand at 0.37 times in FY2019 as compared to 0.38 times in previous year. Acuite believes the financial risk profile of the group will remain healthy over the medium term backed by steady accruals and moderate debt funded capex plans.

Healthy improvement in the scale of operation

The scale of operation of the group stood healthy at Rs. 667.03 crore in FY2019 as compared to Rs.341.57 crore in the previous year. This improvement was driven by rise in capacity utilization and increased average realization of TMT bars and billet. The group has increased production capacity of billet and sponge iron units through combined debt funded capex of Rs.65.85 crores in FY19. Acuite believes scale of operation is likely to improve over the medium term because of stabilization in operation of newly installed sponge iron and billet unit.

Prudent working capital management

Group has comfortable working capital cycle of 26 days in FY19 because of decline in inventory days.

Weaknesses

Ongoing debt funded capex plan

The NR group has undertaken fresh debt funded capex plan of around Rs.64 crore, which is expected to be completed by Q4FY20. The group has already availed additional external debt of Rs.25 crore, which will lead to increase in overall debt size and financial cost in FY20. However, the gearing levels of the group despite the additional debt is expected to remain at less than unity.

Inherent cyclicity in the steel industry

NR Group is exposed to inherent risks of steel industry, which includes cyclical nature along with high competitive market due to presence of large number of players. In addition, prices of raw materials and products are highly volatile in nature.

Rating Sensitivity

- Sustenance of revenue growth while maintaining profitability
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The NR group has adequate liquidity reflected from low utilization of working capital limits ranging from 40 percent to 70 percent during last 6 months ended October 2019. In addition, group has healthy net cash accrual of Rs. 38.93 crores during FY19 as against current maturity of 8.73 crores. Current ratio stood at 1.12x during FY19. The group has maintained positive cash flow from operation during FY19. Acuite believes the liquidity position of the group will improve backed by steady cash flow and accrual over the medium term.

Outlook: Stable

Acuite believes that NR group will benefit over the medium term from the promoters vast experience in the steel industry. The outlook may be revised to 'Positive' if NR group successfully completes their ongoing capex on time resulting in improved topline and accruals. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve stabilization in operation of new units or if its financial risk profile deteriorates.

About the Rated Entity - Consolidated

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	667.03	341.57
PAT	Rs. Cr.	19.04	8.86
PAT Margin	(%)	2.85	2.59

Total Debt/Tangible Net Worth	Times	0.82	0.63
PBDIT/Interest	Times	4.87	4.20

About the Rated Entity - Standalone

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	321.76	218.49
PAT	Rs. Cr.	9.68	5.58
PAT Margin	(%)	3.01	2.55
Total Debt/Tangible Net Worth	Times	0.69	0.69
PBDIT/Interest	Times	5.67	3.93

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
26-September - 2019	Cash Credit	Long Term	26.90	ACUITE BBB+ Issuer not co-operating*
	Term loan	Long Term	21.60	ACUITE BBB+ Issuer not co-operating*
	Letter of Credit	Short Term	2.50	ACUITE A2 Issuer not co-operating*
10- July-2018	Cash Credit	Long Term	26.90	ACUITE BBB+/Stable (Assigned)
	Term loan	Long Term	21.60	ACUITE BBB+/Stable (Assigned)
	Letter of Credit	Short Term	2.50	ACUITE A2 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	26.9	ACUITE BBB+/Stable (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	16.45	ACUITE BBB+/Stable (Reaffirmed)

Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A2 (Reaffirmed)
Proposed fund based limit	Not Applicable	Not Applicable	Not Applicable	5.15	ACUITE BBB+/Stable (Assigned)

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About Acuité Ratings & Research:

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