

Press Release

NR Ispat & Power Private Limited

September 26, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed a long-term rating of '**ACUITE A- (read as Acuite A minus)**' on the Rs. 50.00 Cr bank facilities of NR Ispat and Power Private Limited(NR Ispat). The outlook is '**Stable**'.

The rating continues to reflect healthy business profile of the group marked by its long operational record with integrated operation. The group had registered strong operational performance during FY22 driven by rise in sale volume and average realization of steel products. The rating also considers the group's comfortable financial risk profile marked by healthy net worth, sound debt protection metrics and modest leverage ratios. The ongoing debt funded capital expenditure programmes in the group would remain a rating sensitivity factor. The ratings are further constrained by moderation in operating margin during FY22 on account of rise in commodity prices.

About the Company

NR Ispat & Power Private Limited (NR Ispat), the flagship company of the group was incorporated in 2008 in Chattisgarh and is engaged in the manufacturing of sponge iron, billet and TMT. The company has installed capacity of 60,000 MT per annum for sponge iron, 96,000 MT per annum for MS billet, 96,000 MT per annum of rolled steel products and 8 MW of captive power plant. The company sells TMT under the brand name 'Dollar Gold'.

About the Group

NR Steel and Ferro Private Limited (NR Steel) was incorporated in August 2020. The company has installed capacity for pig iron division is 164,000 MT per annum and 164,160 MT per annum for billet division. The manufacturing facility commenced its operation since August 2022.

NR TMT India Pvt Ltd (NR TMT) was incorporated in 2010. The company has a billet unit with a capacity of 113,400 MT per annum. In FY19, company had added a rolling mill with an installed capacity of 110,000 MT per annum. The company sells TMT under the brand name NR TMT.

Seleno Steels Limited was acquired by the NR group in FY18 and the name was changed to NRVS Steels Limited (NRVS). The company is engaged in the manufacture of sponge iron and billet. The company has installed capacity of 180,000 MT per annum for sponge iron. In FY21 the company had added billet capacity of 103200 MT per annum along with 15 MW captive power plant. Moreover, the company has undertaken a capex for setting up a rolling mill with an installed capacity of 150,000 MT per annum which is operational since Q4FY22.

All manufacturing units are located in Raigarh, Chhattisgarh.

Analytical Approach

Acuite has taken a consolidated view of NR Ispat & Power Private Limited (NR Ispat), NR TMT India Private Limited (NR TMT) and NRVS Steels Limited (NRVS), NR Steel and Ferro Private Limited (NR Steel) as all the 4 companies are in the same line of business, share a common management and have strong operational and financial linkages (NR TMT India procures sponge iron from NRVS) and NR Ispat & Power Private Limited holds around 42 percent of shares in NRVS Steels Limited. In addition, NR Ispat and NR TMT hold around 61 percent stake in NR Steel. The group herein is referred to as NR Group. Extent of consolidation: Full

Key Rating Drivers

Strengths

Integrated operation with large operational capacity

The NR group is promoted by the Agrawal family of Raigarh (Chhattisgarh). The group is managed by Mr. Sanjay Agarwal, who has two decades of experience in the steel business. The group has integrated operations with capacities to produce sponge iron, steel billets and long products across three companies – NR Ispat, NR TMT and NRVS. The aggregate installed capacity of the NR Group is 240,000 MT of sponge iron, 476,760 MT of billets, 164,000 MTPA of ferro alloys/Pig iron and 356,000 MT of rolled steel products. In the current fiscal, the group has commissioned 164,000 MT of pig iron and 164,160 MT per annum for billet capacities in NR Steel.

The group has undertaken large capex plan to enhance existing capacities in NRVS and NR TMT. The project cost of ongoing capex is around Rs 292 Cr which will be funded through a mix debt and equity in 2:1 ratio. The expansion capex will enhance the existing sponge iron capacity to 435,000 MTPA, billet capacity to 761,760 MTPA and captive power source to 48 MW. The project is expected to complete by Q2FY24.

The group has registered sustained growth as revenue stood at Rs 1130 Cr in FY22(Provisional) as against Rs 768 Cr in FY21 and Rs 598 Cr in FY20. The improvement is driven by rise in sale volume and average realization of steel products. Moreover, the growth is also driven by capacity addition during last 2FYs. The group has posted a revenue of Rs 345 Cr in Q1FY23(Provisional). The scale of operation expected to improve over the medium term backed by capacity addition.

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 stood at Rs.250.64 Cr in FY2022 (Provisional) as compared to Rs.193.51 Cr in FY2021. The gearing of the group increased to 1.25 times as on March 31, 2022(Provisional) as compared to 0.86 times as on March 31, 2021 due to debt funded capex plan. TOL/TNW stood at 1.72 times in FY22(Provisional) as against 1.14 times in FY21. The group had witnessed significant rise in debt level because of continuous debt funded capex plan. Interest coverage ratio (ICR) stood strong at 8.20 times in FY2022(Provisional) as against 7.42 times in FY 2021. The debt service coverage ratio (DSCR) also stood comfortable at 2.41 times in FY22(Provisional) as against 2.40 times in FY2021. The improvement in interest coverage is driven by rise in absolute EBITDA backed by increased turnover levels. The net cash accruals against total debt (NCA/TD) stood at 0.27 times in FY22(Provisional) as compared to

0.39 times in previous year. Acuité believes the financial risk profile of the group will remain comfortable over the medium term backed by steady accruals and comfortable profit margin even though they might witness some moderation in FY'22 due to the ongoing capex in NRVS Steel.

Stable profitability margin

The group has reported steady operating margin as EBITDA margin stood at 10.00 percent in FY22(Provisional) as compared to 11.59 percent in FY21. The moderation is due to high power and raw material costs. Acuite expects the profitability margin of the group will remain at comfortable level in medium term backed by increase in operational efficiencies due to addition of 25 MW captive power source.

Weaknesses

Continuous capex

The group has incurred a capex of Rs. 255 crs in the past 3 years till FY'22 towards capacity expansion and modernization. The capex has been mainly in NRVS. The overall project cost for their ongoing capex is around Rs 275 Cr which will be funded through Rs 195 Cr of external debt and remaining from internal accrual & unsecured loan. The proposed facilities are likely to be operational by Q2FY24. Acuité believes the coverage and leverage ratios of the group will witness slight moderation over the medium term because of the rise in the debt levels.

Stabilization in operation

NR Steel has commenced its operation since August 2022. Currently the company is catering to needs of associate concerns. Going forward the stabilization in commercial operation would be key monitorable.

Rating Sensitivities

- Timely completion of ongoing capital expenditure
- Any unplanned debt funded capex
- Improvement in profitability margins with sustained revenue growth

Material covenants

None

Liquidity profile: Adequate

The NR group has adequate liquidity reflected from low utilization of working capital limits which stood at 58 percent during last 12 months ended June 2022. In addition, the group has healthy net cash accrual of Rs. 86 Cr during FY21(Provisional) as against current maturity of 33.47 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 86-89 Cr as against current maturity of around Rs.38 Cr from FY23-FY24. Current ratio stood at 1.05 times during FY22(Provisional) as against 1.18 times in FY21. The working capital requirement of the group stood efficient level as reflected from GCA days of 99 days as on 31 March 2022. Acuite believes the liquidity position of the group will remain adequate, backed by steady accruals over the medium term.

Outlook : Stable

Acuite believes that NR group will maintain a 'stable' outlook and benefit over the medium term from the promoters' vast experience in the steel industry. The outlook may be revised to 'Positive' if NR group is able to expand the profitability margin with sustained revenue growth. Conversely, the outlook may be revised to 'Negative' if the group witnessed a significant

deterioration in financial risk profile or liquidity profile due to any significant time or cost overruns in their planned or unplanned capital expenditure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	1130.99	768.56
PAT	Rs. Cr.	60.32	37.47
PAT Margin	(%)	5.33	4.88
Total Debt/Tangible Net Worth	Times	1.25	0.86
PBDIT/Interest	Times	8.20	7.42

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-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>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Jun 2021	Cash Credit	Long Term	26.90	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	5.23	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	6.38	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	7.58	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	3.91	ACUITE A- Stable (Assigned)
21 Jun 2021	Cash Credit	Long Term	10.00	ACUITE A- Stable (Assigned)
11 Nov 2020	Proposed Ad-hoc limits (Fund Based)	Long Term	7.34	ACUITE BBB+ Stable (Withdrawn)
	Term Loan	Long Term	14.26	ACUITE BBB+ Stable (Withdrawn)
	Letter of Credit	Short Term	2.50	ACUITE A2 (Withdrawn)
	Cash Credit	Long Term	26.90	ACUITE BBB+ Stable (Withdrawn)
	Proposed Ad-hoc limits (Fund Based)	Long Term	7.34	ACUITE BBB+ Stable (Reaffirmed)

29 Oct 2020	Term Loan	Long Term	14.26	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	2.50	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	26.90	ACUITE BBB+ Stable (Reaffirmed)
13 Jan 2020	Proposed Ad-hoc limits (Fund Based)	Long Term	5.15	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	16.45	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	2.50	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	26.90	ACUITE BBB+ Stable (Reaffirmed)
26 Sep 2019	Term Loan	Long Term	21.60	ACUITE BBB+ (Issuer not co-operating*)
	Cash Credit	Long Term	26.90	ACUITE BBB+ (Issuer not co-operating*)
	Letter of Credit	Short Term	2.50	ACUITE A2 (Issuer not co-operating*)
10 Jul 2018	Letter of Credit	Short Term	2.50	ACUITE A2 (Assigned)
	Term Loan	Long Term	21.60	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	26.90	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.90	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	10.20	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	12-12-2021	9.10	31-12-2026	2.85	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	31-12-2020	7.8	31-03-2024	5.90	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	31-10-2013	9.55	30-04-2023	2.07	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	31-01-2020	9.55	31-03-2024	2.08	ACUITE A- Stable Reaffirmed

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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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