



Press Release
NR Ispat & Power Private Limited
December 01, 2023
Rating Assigned and Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|------------------|---------------------------------|-------------------------|
| Bank Loan Ratings | 325.00 | ACUITE A- Stable Assigned | - |
| Bank Loan Ratings | 47.50 | ACUITE A- Stable Reaffirmed | - |
| Bank Loan Ratings | 2.50 | - | ACUITE A2+ Reaffirmed |
| Total Outstanding Quantum (Rs. Cr) | 375.00 | - | - |

Rating Rationale

Acuite has reaffirmed a long-term rating of '**ACUITE A- (read as Acuite A minus) and the short term rating to 'ACUITE A2+ (read as Acuite A two plus)**' on the Rs. 50.00 Cr bank facilities of NR Ispat and Power Private Limited (NR Ispat; part of NR Group) and Acuite has assigned a long-term rating of '**ACUITE A- (read as Acuite A minus)**' on the Rs. 325.00 Cr bank facilities of NR Ispat and Power Private Limited (NR Ispat; part of NR Group) The outlook is '**Stable**'.

Rationale for the rating

The rating takes into account the sound business risk profile of the group majorly driven by improvement in revenues and profitability. The consolidated revenues from operations of the group increased to Rs.1506.36 Cr in FY2023 as compared to revenues of Rs.1076.08 Cr in FY2022 (year-on-year (y-o-y) growth of 39.98%), majorly driven by increase in sales volume during the period. Furthermore, the operating profit margin of the group increased to 6.13 per cent in FY2023 as compared to 5.90 per cent in FY2022. The improvement in margins is attributed to enhanced operational efficiencies on account of backward integration, improved procurement efficiencies and cost rationalization. The operating margin of the group increased to 11.39 per cent in FY2023 as compared to 10.93 per cent in FY2022.

The rating also draws comfort from established track record and skilled promoters with location advantage along with integrated nature of operations. The rating also factors the healthy financial position of the group characterized by a healthy net worth base, moderate gearing levels and comfortable debt protection metrics. The rating takes into account the efficient working capital management marked by improving Gross Current Assets (GCA) to 77 days for FY2023 compared to 99 days for FY2022.

However, these strengths are partially offset by cyclical nature of the steel industry and the vulnerability of the margins to the volatility in steel prices.

About the Company

NR Ispat & Power Private Limited (NR Ispat), the flagship company of the group was incorporated in 2008 in Chhattisgarh 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 billet, 96,000 MT per annum of TMT/ rolled steel products.

About the Group

NR Steel and Ferro Private Limited (NRSF) was incorporated in year 2022 in Chhattisgarh and is

engaged in the manufacturing of billet, Silico Manganese and Pig Iron. The company has installed capacity of 1,64,160 MT per annum for billet, 41,000 MT per annum for Silico Manganese, 82,000 MT per annum of pig iron.

NR TMT India Pvt Ltd (NR TMT), was incorporated in 2010 in Chhattisgarh and is engaged in the manufacturing of billet and TMT. The company has installed capacity of 1,62,000 MT per annum for billet, 1,57,500 MT per annum of TMT/rolled steel products.

NRVS Steels Limited (NRVS) (Erstwhile Seleno Steels Limited), was incorporated in 2018 in Chhattisgarh and is engaged in the manufacturing of sponge iron, billet, TMT and captive power plant. The company has installed capacity of 1,80,000 MT per annum for sponge iron, 1,03,200 MT per annum for billet, 1,08,000 MT per annum of TMT/ rolled steel products and 15 MW captive power plant.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the consolidated financials of NR Ispat & Power Private Limited (NRISPL), NR TMT India Private Limited (NRTMT), NRVS Steels Limited (NRVS) and NR Steel & Ferro Pvt Ltd (NRSF). The consolidation is in the view of common management, Intergroup purchase and sale, strong operational linkages between the entities and a similar line of business.

Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Established track record and skilled promoters with location advantage along with integrated nature of operations**

The key promoters of the group, Mr. Rajesh Agarwal, Mr. Sanjay Agarwal and Mr. Vijay Agarwal of Raigarh (Chhattisgarh) have been associated with the iron & steel industry for two decades. The group has integrated operations with capacities to produce sponge iron, steel billets and long products across three companies – NR Ispat, NR TMT, NRVS and NRSF. Acuite derives comfort from the long experience of the promoters.

The business risk profile of the group is strong supported by the integrated nature of operations of the group; this enhances the operating efficiencies and mitigates the risks arising from the cyclical nature of steel industry to some extent. The diversity in revenue streams of the group also augurs well with its business risk profile. The revenue of the group has improved to Rs.1506.36 Cr in FY2023 as compared to revenues of Rs.1076.08 Cr in FY2022, thereby registering a growth of 39.98 per cent. The improvement is driven by capacity addition along with significant rise in sales volume during the period. The group has registered a revenue of Rs 1117.91 Cr till September 2023. Acuite believes that the group's diversified product range will effectively uphold its business risk profile in the medium term.

In addition to this, the group has a locational advantage as the plants are located in the industrial area of Raipur, Chhattisgarh, which is in close proximity to various steel plants and sources of raw materials. Further the plants are well connected through road and rail transport which facilitates easy transportation of raw materials and finished goods.

Furthermore, the operating margin of the group increased to 11.39 per cent in FY2023 as compared to 10.93 per cent in FY2022. The increase in margin is due to the integrated nature of the operations and average realization of all the products across all the companies. The PAT margins stood at 5.97 per cent in FY2023 as against 5.59 per cent in FY2022. The ROCE

levels stood at a comfortable level of about 21.24 per cent in FY2023 as against 19.44 per cent in FY2022. The integrated operation has helped the group to maintain a comfortable profit margin. Acuite believes that the group will improve its scale of operations over the medium term backed by increase in capacities.

- **Healthy financial risk profile**

The group's financial risk profile is marked by healthy net worth, moderate gearing and comfortable debt protection metrics. The tangible net worth of the group increased to Rs.333.54 Cr as on March 31, 2023 from Rs.243.68 Cr as on March 31, 2022 due to accretion of reserves. Gearing of the group stood improved to 1.25 times as on March 31, 2023 as against 1.46 times as on March 31, 2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.53 times as on March 31, 2023 as 1.74 times as on March 31, 2022. The debt protection metrics of the group remain comfortable marked by Interest coverage ratio (ICR) of 6.77 times and debt service coverage ratio (DSCR) of 2.70 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.31 times in FY2023.

Also, the group had undertaken planned capex in NRVS Steel Limited for ramping up the sponge iron, billet and captive power plant. The capex has increased the sponge iron manufacturing capacity to 3,75,000 MTPA from 1,80,000 MTPA. Additionally, the billet manufacturing capacity increased to 3,91,200 MTPA from 1,03,200 MTPA. Also, the addition of power plant of 15MW WHRB (Waste Heat Recovery Boilers) and 10MW FBC (Fluidized Bed Combustion) is expected to help in significant savings in power cost. This project will get operational from Q4FY2024. The total cost of the project is Rs 275.60 Cr of which Rs 195.00 Cr debt funded. Furthermore, the group is undertaking capex in NR Ispat private Limited for ramping up sponge iron, billet, ferro alloys and captive power plant. The capex is expected to increase the sponge iron manufacturing capacity to 4,56,000 MPTA from 60,000 MTPA, billet manufacturing capacity to 3,48,000 MTPA from 48,000 MTPA and a new ferro alloy plant of 28,800 MTPA. Also new power plants of 30MW WHRB and 20MW FBC are being added which will significant aid in saving power cost. This project will get operational from FY 2025. The total cost of the project is Rs 511.76 Cr which will be funded through debt of Rs 325.00 Cr. Despite the ongoing capex, the group's capital structure is expected to remain healthy. Although the gearing might weaken slightly in the near term but owing to steady cash accruals, it is expected to improve over the medium term.

- **Efficient working capital management**

The working capital management of the group is efficient and has improved marked by Gross Current Assets (GCA) of 77 days for FY2023 as compared to 99 days for FY2022, owing to efficient inventory policy and receivable collection cycle. The inventory period improved to 38 days in FY2023 as compared to 60 days in FY2022 owing to backward integration and better lead time between movement of goods between manufacturing facilities. Also, the debtors stood at 13 days for FY2023 as against 8 days for FY2022. Moreover, the GCA days of the company has also emanates from the other current asset, which mainly consists of other loans and advances. Against this, the company has creditors, which stood at 19 days as on March 31, 2023. The group relies on its bank lines to meet its working capital requirement which stood utilised at ~70.41 over last 6 months ended October 2023. Acuite believes that the working capital operations of the group will remain at the similar levels over the medium term.

Weaknesses

- **Cyclical nature of the steel industry to the volatility in steel prices**

The steel rolling sector continues to lack organization and cohesion. The group faces strong competitive forces from both organized and unorganized participants, compounded by the cyclicity inherent in the steel industry. Moreover, the government's emphasis on steel-intensive sectors like railways and infrastructure increases vulnerability; any prolonged drop in demand would negatively affect steel group's performance. Furthermore, the fluctuation in prices of raw materials and goods is considerably unstable. The business also contends with rivalry from more affordable imports from Indonesia and China. A substantial rise in imports could detrimentally affect earnings and quantities, making this a crucial aspect to watch.

Rating Sensitivities

- Growth in the scale of operations while improving profitability margins
- Timely completion of ongoing capital expenditure

All Covenants

Not Applicable

Liquidity Position

Adequate

The group has adequate liquidity marked by net cash accruals of Rs.128.26 Cr as on March 31, 2023 as against Rs.30.34 Cr long term debt obligations over the same period. The current ratio of the group stood comfortable at 1.36 times in FY2023. The cash and bank balance stood at Rs. 5.04 Cr for FY 2023. Further, the working capital management of the group is efficient marked by improving Gross Current Assets (GCA) of 77 days for FY2023 as compared to 99 days for FY2022. However, the bank limit of the group has been ~70.41 percent utilized for the last six months ended in October 2023. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of comfortable cash accruals, small long debt repayments and low reliance on bank lines for funding working capital requirements 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

Not Applicable

Key Financials

| Particulars | Unit | FY 23 (Actual) | FY 22 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 1506.36 | 1076.08 |
| PAT | Rs. Cr. | 89.87 | 60.18 |
| PAT Margin | (%) | 5.97 | 5.59 |
| Total Debt/Tangible Net Worth | Times | 1.25 | 1.46 |
| PBDIT/Interest | Times | 6.77 | 8.75 |

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

Not Applicable

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|-------------------------------------|------------|-----------------|-----------------------------------|
| 26 Sep 2022 | Term Loan | Long Term | 2.85 | ACUITE A- Stable (Reaffirmed) |
| | Term Loan | Long Term | 5.90 | ACUITE A- Stable (Reaffirmed) |
| | Term Loan | Long Term | 2.08 | ACUITE A- Stable (Reaffirmed) |
| | Term Loan | Long Term | 2.07 | ACUITE A- Stable (Reaffirmed) |
| | Cash Credit | Long Term | 10.00 | ACUITE A- Stable (Reaffirmed) |
| | Proposed Bank Facility | Long Term | 10.20 | ACUITE A- Stable (Reaffirmed) |
| | Cash Credit | Long Term | 16.90 | ACUITE A- Stable (Reaffirmed) |
| 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) |
| 29 Oct 2020 | Proposed Ad-hoc limits (Fund Based) | Long Term | 7.34 | ACUITE BBB+ Stable (Reaffirmed) |
| | 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) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|----------------------|----------------|-------------------------|------------------|----------------|----------------|------------------|-------------------|---------------------------------|
| Punjab National Bank | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | Simple | 2.50 | ACUITE A2+ Reaffirmed |
| Punjab National Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 26.90 | ACUITE A- Stable Reaffirmed |
| Not Applicable | Not Applicable | Proposed Long Term Loan | Not Applicable | Not Applicable | Not Applicable | Simple | 15.02 | ACUITE A- Stable Reaffirmed |
| Punjab National Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 4.42 | ACUITE A- Stable Reaffirmed |
| Punjab National Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 1.16 | ACUITE A- Stable Reaffirmed |
| Punjab National Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 135.00 | ACUITE A- Stable Assigned |
| State Bank of India | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 80.00 | ACUITE A- Stable Assigned |
| Bank of Baroda | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 60.00 | ACUITE A- Stable Assigned |
| UCO Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 50.00 | ACUITE A- Stable Assigned |

Contacts

| Analytical | Rating Desk |
|---|--|
| Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in | Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in |
| Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 dipti.choudhary@acuite.in | |

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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