



Press Release
Narbheram Power & Steel Private Limited
August 28, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	124.25	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	231.60	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	32.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	387.85	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and its short term rating of '**ACUITE A2**' (read as **ACUITE two**) on the Rs. 263.60 crore bank facilities of Narbheram Power and Steel Private Limited (NPSPL). The outlook is '**Stable**'.

Acuite has assigned its long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 124.25 crore bank facilities of Narbheram Power and Steel Private Limited (NPSPL). The outlook is '**Stable**'.

Rationale for rating

The rating factors in the improvement in EBITDA and PAT margin which has increased by 12.12% and 6.14 % respectively in the FY24(Prov) compared with the FY23 due to improvement in operation efficiency in form of reduced freight and transportation cost and expected to improve further in the coming financials years due to purchase of railway rakes in the FY 23-24 which is expected to lead to savings in transportation cost. Going forward, increased iron ore procurement from mines would reduce freight costs further as these mines are located closer to ASPL's pellet plant. There has been a marginal decline in the revenue of the group by 6.68% in FY24(Prov) as compared with FY23, where revenue stood at Rs 1945.20 Cr. in the FY24(Prov) as against Rs 2084.33 Cr. in the FY23 due to correction in prices of steel

intermediaries. The financial risk profile is healthy as supported by healthy capital structure, strong liquidity and a comfortable debt protection metrics. The rating draws comfort from the extensive experience of the promoters in the steel industry. The rating is, however, constrained by the group's margins being susceptible to the volatility in raw material prices, working capital intensity, large exposure in group companies along with the group's exposure to the inherent cyclicalities in the steel industry.

About the Company

Incorporated in 1999, Narbheram Power and Steel Private Limited (NPSPL) is engaged in the manufacturing of sponge iron and billets. The company's manufacturing plant has an installed capacity of about 1,00,000 TPA for sponge iron and 60,000 TPA for billets at Dhenkanal, Odisha. It has also installed an in-house waste-heat-based power plant of 8 MW for captive consumption. Currently, the company is operating an iron ore mine with a maximum permitted pace of 35,00,000 TPA, which they are operating at a set pace of 28,50,000 TPA in Keonjhar, Odisha, which was earlier operated by another group company, Narbheram Vishram. The present directors of the company are Mr. Vishal Atha, Mr. Gaurav Atha, Mr. Devendra Kumar Dave and Mr. Vishal Vithlani.

About the Group

Amalgam Steel Private Limited (ASPL) is a JV between Atha and Misra Groups and operates a 1.2-mtpa pellet plant near Jamshedpur, in Jharkhand. The company was demerged from Orissa Manganese & Minerals Limited (OMML), which was acquired by the Atha and Misra Groups from the Adhunik Group through an insolvency resolution process in November 2018. The resolution plan, as submitted, was approved by the NCLT bench, Kolkata, vide their order dated June 22, 2018. The acquisition was done at a price of Rs. 310 crore.

NPSPL acts as a backward integration for ASPL. Also, 40% to 50 % of the iron ore fines sales of NSPL are made to Amalgam Steel Pvt. Ltd and the same is carried out at arm's length price.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of **Narbheram Power and Steel Private Limited (NPSPL)** and **Amalgam Steel Private Limited (ASPL)** together referred to as the 'Atha Group' (AG). The consolidation is in the view of common management, operational linkages, financial linkages between the entities, and a similar line of business.

Key Rating Drivers

Strengths

Long track record and experienced management

NPSPL is promoted by the Kolkata-based Atha Group. The promoters have around six decades of experience in the iron ore mining and steel business. The group is partially integrated with iron ore mining, pellet, sponge iron and billets manufacturing capacities. Acuité believes the vast experience of the promoters has enabled the group to build strong relationships with customers as well as suppliers, resulting in continued order flow from customers.

Improvement in EBITDA and PAT margin, albeit drop in scale in operations.

The group witnessed a decline in its scale of operations marked by its revenue of Rs 1945.20 Cr. in FY24(Prov) as against Rs 2084.33 Cr. in FY23 and Rs 2310.28 Cr. in FY22 due to fluctuation in steel prices.

However, the operating margin of the group improved in the FY24(Prov) and stood at 5.83% as against 4.86% in the FY23 mainly due to improvement in operation efficiency in freight and transportation cost and expected to be further improved in the coming financial years due to purchase of railway rakes in the FY 23-24 which is expected to lead to saving in transportation cost as in FY 23 there was shortage of railway rakes and containers and because of that transportation and freight cost had been high. The PAT margin of the group improved in the FY24(Prov) and stood at 2.80% as against 2.46% in the FY23 mainly due to better improvement in EBITDA margin.

Acuité believes that the ability of the group to maintain its scale of operations and improve its profitability will going a key monitorable over the medium term.

Healthy financial risk profile

The financial risk profile of the group is marked by strong net worth, comfortable gearing and moderate debt protection metrics. The tangible net worth of the group improved to Rs.1062.79 Cr. as on March 31, 2024 (prov) from Rs. 940.83 Cr. as on March 31, 2023, aided by sizeable accretion to reserves and increase in share capital and share premium. Further,

Acuité has considered unsecured loans of Rs.166.00 Cr, as quasi-equity as the management has undertaken to maintain the amount in the business over the long term.

The gearing of the group improved Y-O-Y and stood comfortable at 0.55 times (prov) as on March 31, 2024 as against 0.59 times in the FY23 due to limited reliance on external debt to support the working capital requirements, as, the promoters have extended significant financial support to the group, via unsecured loans to cover the working capital and the debt obligations.

The Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved Y-O-Y and stood comfortable stood at 0.73 times as on 31st March, 2024 (Prov) as against 0.93 times as on 31st March, 2024.

However, Interest coverage ratio (ICR) has moderated and stood at 2.59 times in FY2024(Prov) as against 2.40 times in FY 2023 . However the debt service coverage ratio (DSCR) of the group is decline and stood at 1.41 times in FY2024(Prov) as against 1.52 times in the FY2023 due to repayment of compulsory redeemable non-cumulative non participating preference shares in the Dec-23. The net cash accruals to total debt (NCA/TD) also moderated and stood at same level i.e 0.15 times in FY2024(Prov) and in FY23 0.16 times. Going forward, Acuite believes the financial risk profile of the group will remain at similar levels on account of steady net cash accruals over the near term and absence of any major capex plan over the medium future. Acuité expects the leverage and coverage indicators are expected to remain healthy in FY25 on the back of stabilization of the metal and steel prices and capex investment done in the FY24 by way of purchase of railway rakes.

Weaknesses

Working Capital Intensive nature of operations

The working capital-intensive nature of operations of the group is reflected from the improved GCA days of 167 days as on March 31, 2024 (prov) as compared to 202 days as on March 31, 2023. The high GCA days are on account of significant loans and advances provided to related parties. However, the improvement in GCA days is supported by low debtor period of only 6 days as on March 31, 2024 (prov) as against 9 days as on March 31, 2023, since the group majorly sells to the reputed clientele and follows an efficient collection mechanism and majorly carried out in the cash. Further, the inventory holding improved and stood moderate and at the same level i.e 58 days as on 31st March 2024 (prov) as compared to 58 days as on 31st March 2023, benefitting from a low lead time for procurement. The creditor holding period improved and stood at 31 days as on 31st March 2024(Prov) as compared to 39 days as on 31st March 2023 which mainly consist of store purchase creditors. Acuité believes that the working capital operations of the group will remain at same level as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

Inherent cyclical nature of the steel industry

The group's performance remains vulnerable to cyclicity in the steel sector given the close linkage between the demand for steel products and the domestic and global economy. The end-user segments such as real estate, civil construction and engineering also display cyclicity. Further, operating margins are vulnerable to volatility in the input prices (iron ore and coal) as well as realisation from finished goods. The prices and supply of the main raw material, iron ore, directly impacts the realisations of finished goods. Any significant reduction in the demand and prices adversely impacting the operating margins and cash accruals of the group will remain a key monitorable.

Rating Sensitivities

- Improvement in the scale of operation while sustainability its profitability margin at the current level
- Elongation of working capital cycle
- Extend of fund exposure in group entities

Liquidity Position

Adequate

The group's liquidity position is adequate supported by healthy retained cash flows and

sufficient undrawn limits. The group repayment obligation of Rs. 47.60 Cr. in FY24 was comfortably serviced from the sufficient net cash accruals which stood at Rs.90.36 Cr. as on March 31, 2024 (prov). The group fund-based limit is utilised moderately at 43.45% and whereas non fund-based limit is utilised ~81.96% over the last six months ended May, 2024. Further the group maintains adequate liquidity in the form of mutual funds. However, the group's operations are working capital intensive marked by high gross current asset (GCA) of 167 days as on March 31, 2024 (prov) owing to significant advances to related parties but same had been improved as compared to FY 23 which stood at 202 days as on March 31, 2023. Also, the group has significant exposure in group companies in the form of investment, loans and advances of Rs. 674.53 Cr. as on March 31, 2024. Any incremental exposure to group companies would be a key monitorable. Going forward, Acuité believes the liquidity position of the group will be sustained marked by enhanced net cash accruals.

Outlook: Stable

Acuité believes that the outlook for the group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business position, and healthy financial risk profile. The outlook may be revised to 'Positive' in the case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure, and working capital management. Conversely, the outlook may be revised to 'Negative' in the event of a decline in the group's revenues or profit margins, a deterioration in the group's financial risk profile, or a further elongation in its working capital cycle and larger than current exposure of funds to its group companies.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	1945.20	2084.33
PAT	Rs. Cr.	54.40	51.25
PAT Margin	(%)	2.80	2.46
Total Debt/Tangible Net Worth	Times	0.55	0.59
PBDIT/Interest	Times	2.59	2.40

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

Not Applicable

Any Other Information

None

Applicable Criteria

- 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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
31 May 2023	Bank Guarantee (BLR)	Short Term	32.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	65.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	6.85	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	40.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	40.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	62.00	ACUITE BBB+ Stable (Assigned)
	Term Loan	Long Term	17.50	ACUITE BBB+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.25	ACUITE BBB+ Stable (Assigned)
21 Jun 2021	Term Loan	Long Term	27.00	ACUITE BBB+ (Reaffirmed & Withdrawn)
	Proposed Working Capital Term Loan	Long Term	20.00	ACUITE BBB+ (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	15.00	ACUITE BBB+ (Reaffirmed & Withdrawn)
	Proposed Bank Guarantee	Short Term	27.00	ACUITE A2 (Reaffirmed & Withdrawn)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.00	ACUITE A2 Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE BBB+ Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE BBB+ Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	62.00	ACUITE BBB+ Stable Reaffirmed
RBL Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE BBB+ Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	41.00	ACUITE BBB+ Stable Reaffirmed
Federal Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BBB+ Stable Assigned
Axis Bank	Not avl. / Not appl.	Term Loan	31 Dec 2023	Not avl. / Not appl.	30 Jun 2029	Simple	18.00	ACUITE BBB+ Stable Reaffirmed
RBL Bank	Not avl. / Not appl.	Term Loan	30 Sep 2023	Not avl. / Not appl.	30 Sep 2029	Simple	15.60	ACUITE BBB+ Stable Reaffirmed
RBL Bank	Not avl. / Not appl.	Term Loan	30 Sep 2023	Not avl. / Not appl.	30 Sep 2029	Simple	34.40	ACUITE BBB+ Stable Assigned
RBL Bank	Not avl. / Not appl.	Term Loan	31 Dec 2023	Not avl. / Not appl.	31 Dec 2031	Simple	50.00	ACUITE BBB+ Stable Assigned
Federal Bank	Not avl. / Not appl.	Term Loan	31 Jan 2024	Not avl. / Not appl.	30 Sep 2030	Simple	19.85	ACUITE BBB+ Stable Assigned

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No.	Company Name
1	Narbheram Power and Steel Private Limited
2	Amalgam Steel Private Limited

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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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