

## Press Release

### NF Forgings Private Limited

November 19, 2020

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 68.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB/Stable (Assigned)
<b>Short Term Rating</b>	ACUITE A3+ (Assigned)

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned the long-term rating of **'ACUITE BBB' (read as ACUITE triple B)** and the short term rating of **'ACUITE A3+' (read as ACUITE A3 Plus)** on the Rs. 68.00 crore bank facilities of NF Forgings Private Limited. The outlook is **'Stable'**.

NF Forgings Private Limited (NFPL) was incorporated in 1997 by Mr Mahesh Kumar Dhanuka. The company is engaged in the manufacturing of alloy and non-alloy steel ingots, carbon and alloy steel casting components for Indian Railways and wagon builders. The company has its own manufacturing unit in Sankrail (West Bengal).

Macedon Vinimay Private Limited (MVPL) was incorporated in 1995 by Dhanuka family. MVPL is engaged in the manufacturing of electrical components such as meter enclosures, cupboards, and panel boxes etc. The company has a separate division catering to the Indian Railways which manufactures various kinds of fibre-reinforced-plastic-based products.

### Analytical Approach:

Acuite has consolidated the business and financial risk profiles of NF Forging Private Limited with Macedon Vinimay Private Limited herein referred to as NF group. The consolidation is in view of common management, similar line of business and operational linkages.

### Key Rating Drivers:

#### Strengths

#### Experienced management and Healthy Order Book

The NF group is headed by Mr. Mahesh Kumar Dhanuka, who has a business experience of more than two decades in the manufacturing of railway components. The group has a reputed customer base which includes Indian Railways, Power distribution companies and EPC contractors. The group has an unexecuted order book of Rs 333 crore provides healthy revenue visibility over the near to medium term. Nearly 52 percent of outstanding orders are related to the refurbishment of old railway wagons which are issued by Indian Railways; 31 percent of orders related to manufacturing of railway components and balance orders are related to power division. The group had witnessed strong revenue growth of 33.93 percent in FY20 due to healthy order inflow and execution from Indian Railways. Acuite believes the company will continue to maintain revenue growth in a medium driven by continuous order inflow from Indian Railways and wagon builders.

#### Healthy financial risk profile

The financial risk profile of the group is marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of the group stood at Rs.83.54 crore in FY2020 as compared to Rs.62.98 crore in FY2019. This improvement in net worth is mainly due to the retention of current year profit along with an infusion of Rs.10.72 crores quasi equity in FY20. Acuite has included Rs. 10.72 crore of unsecured loan as quasi equity as the same is subordinated to bank debt. The gearing of the group stood at 0.68 times in FY20 as compared to 1.12 times in FY19 due to decline in debt level. The total debt of Rs.57.11 crore in FY2020 consists mainly of short-term loan of Rs.52.99 crore, long-term debt of Rs.4.11 crore. Interest coverage ratio (ICR) stood at 2.96 times in FY20 as against 2.40 times in FY 2019. The debt service coverage ratio stood at 2.12 times in FY2020 as against of 1.91 times in FY2019. The reason for this improvement is the rise in absolute EBITDA. The net

cash accruals against total debt (NCA/TD) stood at 0.30 times in FY2020 as compared to 0.15 times in the previous year. Acuite believes the financial risk profile of the group will remain healthy in medium term backed by the absence of debt-led capex plan.

## Weaknesses

### Working capital intensive nature of operation

The working capital-intensive nature of operations is marked by high gross current asset (GCA) days of 172 days in FY2020 as compared to 231 days in FY2019. The improvement is on account of decline in debtor days to 77 days in FY20 as compared to 92 days in FY19. Inventory days stood at 58 days in FY20 (provisional) against 103 days in FY19. Acuite believes working capital requirement will remain high in medium term because of stretched receivables from its principals.

### Rating Sensitivity

- Sustenance of revenue growth.
- Reduction in order flow.

### Material Covenant

None

### Liquidity Position: Adequate

The group has an adequate liquidity profile reflected from net cash accrual of Rs.17.29 crore in FY20 as against current maturity of Rs.2.20 crores. The current ratio had been comfortable at 1.36 times in FY20 as against 1.31 times in the previous year. In addition, utilization of fund-based limits are ranging from 85 percent to 90 percent during the last 9 months ended in August 2020. Moreover, the group has availed Rs. 4.82 crore of addition line of credit to meet rising working capital requirements. Net cash from operations of the group stood comfortable at Rs. 17.23 crore in FY20. Acuite expects liquidity profile will continue to remain at an adequate level in FY21 due to steady accruals and absence of any debt-funded capex plans.

### Outlook: Stable

Acuite believes that NF Group will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience in the industry and longstanding relations with their customers. The outlook may be revised to 'Positive' in case the group is able to ramp up its scale of operation while maintaining its profitability margin. Conversely, the outlook may be revised to 'Negative' if the group fails to achieve growth in revenue or the financial risk profile deteriorates owing to unplanned debt-led capex plan.

### About the Rated Entity - Consolidated

	Unit	FY20 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	302.76	226.06
PAT	Rs. Cr.	13.01	7.37
PAT Margin	(%)	4.30	3.26
Total Debt/Tangible Net Worth	Times	0.68	1.12
PBDIT/Interest	Times	2.96	2.40

### About the Rated Entity - Standalone

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	246.33	164.21
PAT	Rs. Cr.	10.42	3.30
PAT Margin	(%)	4.23	2.01
Total Debt/Tangible Net Worth	Times	0.91	1.11
PBDIT/Interest	Times	2.83	1.99

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

NFPL is listed under the 'Non Co-operation by the issuer' category by Brickwork due to inadequate information provided by the company.

### 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>
- Consolidated - <https://www.acuite.in/view-rating-criteria-60.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

#### \*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	15.00	ACUITE BBB/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3+ (Assigned)
Letter Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3+ (Assigned)
Term Loan	Not Available	Not Available	September 2024	2.99	ACUITE BBB/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE BBB/Stable (Assigned)

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## About Acuite Ratings & Research:

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