

Press Release

NF Forgings Private Limited

March 04, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.00	-	ACUITE A3+ Reaffirmed & Withdrawn
Bank Loan Ratings	45.00	ACUITE BBB Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	68.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A3 Plus**) on the Rs.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 (NFPL). The rating is being withdrawn on account of request received from the company and NOC received from the concern bankers as per Acuite's withdrawal policy.

The ratings continue to reflect group's sound business profile supported by long operational track record along with diversified order book. The rating also factors group's comfortable financial risk profile marked by its conservative capital structure and strong coverage ratios. These rating strengths are partially offset by the group's working capital intensive nature of operations.

About the Company

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).

About the Group

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. Extent of consolidation: Full

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 239 crore provides healthy revenue visibility over the near to medium term. Major portion of outstanding orders are related to the refurbishment of old railway wagons, supply of components which are issued by wagon manufacturer and balance orders are related to power division. The group had witnessed a decline in scale of operation as revenue stood Rs 246.61 Cr in FY21 as against Rs 304.04 Cr in FY20 due to slow execution of orders. Acuite believes the group will witness revenue growth over medium term 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 comfortable net worth, low gearing and strong debt protection metrics. The net worth of the group stood at Rs.95.39 crore in FY2021 as compared to Rs.83.54 crore in FY2020. Acuite has included Rs. 8.11 crore of unsecured loan as quasi equity as the same is subordinated to bank debt. The gearing of the group stood at 0.63 times in FY21 as compared to 0.68 times in FY21. The group has low dependence on debt as reflected from moderate utilization of fund based limit. Interest coverage ratio (ICR) stood at 4.52 times in FY21 as against 2.97 times in FY 2020. The debt service coverage ratio stood at 2.88 times in FY2021 as against of 2.14 times in FY2020. The reason for this improvement is rise in EBITDA margin. The net cash accruals against total debt (NCA/TD) stood at 0.32 times in FY2021 as compared to 0.31 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 227 days in FY2021 as compared to 174 days in FY2020. Debtor days stood at 116 days in FY21 as compared to 84 days in FY20. Inventory days stood at 52 days in FY21 against 51 days in FY20. Acuite believes working capital requirement will remain high in medium term because of stretched receivables from its principals.

Rating Sensitivities

Not Applicable

Material covenants

Not Applicable

Liquidity profile: Adequate

The group has an adequate liquidity profile reflected from net cash accrual of Rs.19.39 crore in FY21 as against current maturity of Rs.2.59 crores. The current ratio had been comfortable at 1.54 times in FY21 as against 1.35 times in the previous year. In addition, utilization of fund-based limits are ranging from 35 percent to 85 percent during the last 3 months ended December 2021. Acuite expects liquidity profile will continue to remain at an adequate level over medium term due to steady accruals and absence of any debt-funded capex plans.

Outlook

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	246.61	304.04
PAT	Rs. Cr.	14.46	13.16
PAT Margin	(%)	5.86	4.33
Total Debt/Tangible Net Worth	Times	0.63	0.68
PBDIT/Interest	Times	4.52	2.97

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>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.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
19 Nov 2020	Bank Guarantee	Short Term	5.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB Stable (Assigned)
	Proposed Cash Credit	Long Term	0.01	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A3+ (Assigned)
	Term Loan	Long Term	2.99	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	6.00	ACUITE A3+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3+ Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE BBB Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	2.99	ACUITE BBB Reaffirmed & Withdrawn

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About Acuité Ratings & Research

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