



Press Release
Narsingh Ispat Limited
September 26, 2023

Rating Upgraded & Withdrawn and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	23.67	ACUITE BBB+ Upgraded & Withdrawn	-
Bank Loan Ratings	25.83	Not Applicable Withdrawn	-
Bank Loan Ratings	10.00	-	ACUITE A2 Upgraded & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	59.50	-	-

Rating Rationale

Acuite has upgraded and withdrawn its long term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) and its short term rating of '**ACUITE A2**' (read as **ACUITE A two**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs 33.67 Cr bank facilities and also withdrawn the proposed long term facility of Rs 25.83 Cr proposed bank facility of Narsingh Ispat Limited (NIL).

The ratings were downgraded vide Acuite's rationale dated August 16, 2023 based on information risk.

The rating will be 'Not Applicable' for the withdrawn proposed limit.

The rating has been withdrawn as per Acuite's policy for withdrawal of ratings. The withdrawal is on account of the request received from the company and the No Objection Certificate (NOC) received from the banker.

Rationale for rating upgrade

The rating upgrade factors a 58 per cent growth in the operating income of the group in FY2023 primarily driven by the increase in the average realization of Narsingh Ispat Limited (NIL) and rise in the trading activity of Narsingh Ispat Udyog Private Limited (NIUPL). The revenues increased to Rs. 866.99 Cr in FY2023 (Provisional) from Rs. 497.11 Cr in FY2022 and Rs. 438.16 Cr in FY2021. The rating also considers the above average financial risk profile of the group reflected by low gearing and healthy debt protection matrices. The rating further takes into account the adequate liquidity position of the group marked by efficient working capital management and moderately utilised fund based bank limits.

However, the rating is constrained by the decline in the profitability margins of the group.

About the Company

Incorporated in 2004, NIL is based in Kolkata and is promoted by Mr. Hemant Goyal along with his family members, Mr. Anil Kumar Goyal and Mr. Ajay Kumar Singh. The company is engaged in the manufacturing of pig iron with an installed capacity of 157000 MTPA. The manufacturing unit is located at Jharkhand.

Incorporated in 2012, Narsingh Ispat Udyog Private Limited (NIUPL) is based in Kolkata and is engaged in the trading of pig iron, coking coal and LAM coke. It is an associate concern of Narsingh Ispat Limited (NIL) and is managed by Mr. Anil Kumar Goyal and Mr. Hemant Goyal.

Analytical Approach

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of NIL and NIUPL. The consolidation factors the operational linkages between the entities, common management and a similar line of business.

Extent of Consolidation

Full

Key Rating Drivers

Strengths

Experienced management coupled with reputed clientele

The group is managed by Mr. Hemant Goyal who has more than two decades of experience in the steel industry through group concerns. With the promoters assistance, the group has established a strong customer base comprising of several mid-size steel companies such as Rungta Mines Limited, Balmukund Sponge & Iron Private Limited and Bihar Foundry and Castings Limited (rated at ACUTE A-/Stable).

Acuité believes that the experienced management and long-term relationships with customers will continue to benefit the group going forward over the medium term.

Growing scale of operations

The operating income of the group has improved over the last three years. The revenues increased to Rs. 866.99 Cr in FY2023 (Provisional) from Rs. 497.11 Cr in FY2022 and Rs. 438.16 Cr in FY2021. The upsurge in revenues is supported by the increase in the average realization of NIL and rise in the trading activity of NIUPL.

Acuité believes that the scale of operations of the group will remain healthy over the medium term.

Above average financial risk profile

The above average financial risk profile of the group is marked by the improving net worth, low gearing, and healthy debt protection metrics. The tangible net worth of the group increased to Rs. 114.95 Cr as on March 31, 2023 (Provisional) from Rs. 87.18 Cr as on March 31, 2022 due to accretion to reserves. Gearing of the group stood below unity at 0.30 times as on March 31, 2023 (Provisional) as compared to 0.48 as on March 31, 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.10 times as on March 31, 2023 (Provisional) as against 1.07 times as on March 31, 2022. The healthy debt coverage indicators of the group are marked by Interest Coverage Ratio at 8.88 times as on March 31, 2023 (Provisional) and Debt Service Coverage Ratio at 8.63 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 1.05 times as on March 31, 2023 (provisional).

Acuité believes that going forward, the financial risk profile of the group will remain above average with no major debt funded capex plans.

Weaknesses

Susceptibility of margins to fluctuations in the prices of raw materials

The group's operating margin declined to 4.54 per cent in FY2023 (Provisional) from 11.62 per cent in FY2022 due to rise in the cost of raw materials. The operating margins remain exposed to volatility in the prices of raw materials and finished goods. Further, the net profit margin dipped to 3.20 per cent in FY2023 (Provisional) from 9.11 per cent in FY2022.

Acuité believes that, going forward, improvement in the profitability margins will remain a key monitorable.

Rating Sensitivities

None

All Covenants

None

Liquidity Position: Adequate

The group's adequate liquidity position is marked by comfortable net cash accruals of Rs. 35.67 Cr in FY2023 (Provisional) as against long term debt repayment of only Rs. 0.13 Cr over the same period. Also, the fund based limit utilisation is at a moderate level of 73 per cent over the six months ended July, 2023. The working capital management of the group is efficient in nature marked by Gross Current Assets of 62 days in FY2023 (Provisional) as against 64 days in FY2022. However, the current ratio stood moderate at 1.43 times in FY2023 (Provisional) as compared to 1.24 times in FY2022.

Acuité believes that the liquidity position of the group will remain adequate over the medium term backed by steady accruals.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	866.99	497.11
PAT	Rs. Cr.	27.77	45.29
PAT Margin	(%)	3.20	9.11
Total Debt/Tangible Net Worth	Times	0.30	0.48
PBDIT/Interest	Times	8.88	11.09

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

Not Applicable

Any other information

Not Applicable

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
16 Aug 2023	Term Loan	Long Term	11.67	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Term Loan	Long Term	2.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Long Term Loan	Long Term	11.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.83	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	2.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	10.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	12.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
23 May 2022	Term Loan	Long Term	11.67	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Upgraded)
	Proposed Bank Facility	Long Term	0.83	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	2.00	ACUITE A2 (Upgraded)
	Cash Credit	Long Term	12.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Term Loan	Long Term	11.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Long Term	10.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Proposed Term Loan	Long Term	2.00	ACUITE BBB+ Stable (Assigned)
24 Jun 2021	Proposed Term Loan	Long Term	0.01	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	32.72	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	11.78	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.99	ACUITE BBB- Stable (Assigned)

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	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BBB+ Upgraded & Withdrawn
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A2 Upgraded & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	25.83	Not Applicable Withdrawn
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	11.67	ACUITE BBB+ Upgraded & Withdrawn

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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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