



Press Release
NILKANTH FERRO LIMITED
May 23, 2025
Rating Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|----------------------------------|------------------------|
| Bank Loan Ratings | 30.42 | ACUITE BBB Stable Reaffirmed | - |
| Bank Loan Ratings | 58.58 | - | ACUITE A2 Reaffirmed |
| Total Outstanding Quantum (Rs. Cr) | 89.00 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuité has reaffirmed the long-term rating to ‘**ACUITE BBB**’ (read as **ACUITE triple B**) and short-term rating of ‘**ACUITE A2**’ (read as **ACUITE A two**) on the Rs. 89.00 Cr. bank facilities of Nilkanth Ferro Limited (NFL). The outlook remains ‘**Stable**’.

Rationale for rating

The rating reaffirmation considers augmentation in operating performance, long track record and established position of the company in the ferro and silico manganese industry along with extensive experience of the promoters. The rating draws comfort from above average financial risk profile and adequate liquidity of the company. However, these strengths are partly offset by moderately intensive working capital management and susceptibility of profitability to volatility in raw material prices and forex risk in an intensely competitive and highly fragmented industry.

About the Company

Based in Durgapur, West Bengal, Nilkanth Ferro Limited (NFL) incorporated in 2004. The company is engaged in the manufacturing of ferro manganese and silico manganese with production capacity of 43200 MTPA. NFL has tie-up with Tata Steel Limited (TSL) for supplying silico alloys. The directors include Ram Sharma and Kanaiyalal Sharma.

Unsupported Rating

Not applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of NFL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management with strong customer base

NFL has developed a strong customer base over the years with the assistance of its management which is headed by Mr. Ram Awatar Sharma having over two decades of experience in the ferro alloys industry. The company’s clientele base includes leading steel producers such as Steel Authority of India Ltd (SAIL), Tata Steel Ltd, Lalwani Ferro Alloys Ltd, Sharp Ferro Alloys Ltd among others. Acuité believes that the extensive experience of the

management and the healthy clientele relationships will continue to benefit the company going forward.

Augmentation in operating performance

In FY2025(Prov.) company has reported revenue of Rs 279.94 Cr. registering the growth of 41.34 percent however the revenue was moderated in FY2024 and stood at Rs.198.06 Cr. as compared to Rs 266.86 Cr. in FY2023 and Rs.299.77 Cr. in FY2022. However, FY2022 was an exceptional year for Silico and Ferro Manganese

industry, majorly due to high demand from the export markets. In FY2023 and FY2024 the price has been corrected resulting to fall in realisation prices and decrease in demand.

The operating margin of the company stood at 2.82 percent in FY2025 (Prov.) as against 2.75 percent in FY2024 and 1.77 per cent in FY2023, the improvement is on account of better realisations coupled with increase in volume sold. In FY2025(Provisional) the PAT margin of the company improved and stood at 1.04 percent as against 0.38 percent in FY2024 and 0.97 percent in FY2023. Acuité believes that the ability of the company to maintain its scale of operations along with profitability will remain as a key rating monitorable.

Above average financial risk profile

The company has an above average financial risk profile marked by moderate net worth, comfortable gearing and debt protection metrics. The tangible net worth of the company increased to Rs. 84.08 Cr. as on March 31, 2025 (Prov.) from Rs.81.17 Cr. as on March 31, 2024 on account of accretion of reserves. The total debt of the company as on March 31, 2025 (Prov.) stood at Rs.11.89 Cr. which consist of short-term borrowings (i.e. Cash credit limit) only. Company doesn't have any long-term debt. Gearing of the company stood at 0.14 times as on March 31, 2025(Prov.) as compared to 0.27 times as on March 31, 2024 on account of repayment of term loan during the year and lower utilisation of fund-based limit. Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.58 times as on March 31, 2025(Prov.) as against 0.78 times as on March 31, 2024. Further, the debt coverage indicators are improved marked by Interest Coverage Ratio (ICR) at 2.73 times and Debt service coverage ratio (DSCR) at 1.91 times as on March 31, 2025(Prov.) as against 1.69 times as on March 31, 2024 and 1.13 times respectively. The Net Cash Accruals/Total Debt (NCA/TD) also improved which stood at 0.40 times as on March 31, 2025(Prov.) as against 0.11 times as on March 31, 2024.

Acuité believes that the financial risk profile of the company will improve on account of steady net cash accruals owing to improvement in profitability margins along with no major debt funded capex plans.

Weaknesses

Moderately intensive working capital operations

The company's working capital operations remained moderately intensive marked by Gross Current Assets (GCA) of 107 days as on March 31, 2025(Prov.) as against 174 days as on March 31, 2024 The GCA days improved primarily on account of the inventory holding which comparatively reduced and stood at 73 days as on March 31, 2025(Prov.) as against 124 days as on March 31, 2024. The company holds inventory for ~ 2 months to mitigate the supply risk. However, the debtor days stood comfortable at 24 days as on March 31, 2025(Provisional) as against 40 days as on March 31, 2024. The creditor days of the company is high but improved which stood at 75 days March 31, 2025 (Prov.) as against 129 days as on March 31 2024. Acuité believes that the working capital requirements of NFL would remain moderately high on account of the modest inventory holding.

Highly fragmented and intensely competitive industry

The ferro alloys industry is marked by the presence of many organized and unorganized players owing to low entry barriers. The company faces intense competition from the presence of several mid to large size players in the industry. The presence of many players has a direct impact on pricing and restricts bargaining power thereby, having an adverse impact on margins.

Profit margins are susceptible to raw material price fluctuations and volatility in foreign exchange fluctuations

NFL's raw material constitute around 50 percent of its total cost and the raw material prices are volatile in nature. The company also imports ~23 percent and thus is susceptible to forex fluctuations as well. However, the forex fluctuation risk is mitigated to an extent by way of a forward cover to hedge the exposure in foreign currency.

Rating Sensitivities

- Consistent growth in the scale of operations along with improving profitability margins
- Change in financial risk profile
- Deterioration in working capital cycle

Liquidity Position

Adequate

The company's adequate liquidity position is marked by net cash accruals of Rs 4.71 Cr. as on March 31, 2025 (Prov.) as against long term debt repayment of only Rs 0.95 Cr. over the same period. As on March 31,2025(Prov.) company is not having any long-term debt obligations to be repaid. The current ratio stood comfortable at 2.10 times as on March 31, 2025(Prov.) as against 1.62 times as on March 31, 2024. The company has unencumbered fixed deposit of Rs.15.67 Cr. as on March 31, 2025 (Prov). The fund-based limit utilisation stood at ~70.31 percent and non-fund-based limit utilization stood at ~83.12 percent of for the last six months ended March 2025. Acuité believes that the liquidity position of the company would remain adequate over the near to medium term backed by adequate cash accruals as against no repayment obligations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 25 (Provisional) | FY 24 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 279.94 | 198.06 |
| PAT | Rs. Cr. | 2.91 | 0.74 |
| PAT Margin | (%) | 1.04 | 0.38 |
| Total Debt/Tangible Net Worth | Times | 0.14 | 0.27 |
| PBDIT/Interest | Times | 2.73 | 1.69 |

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

Not applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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>

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. 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 |
|-------------|----------------------------------|------------|-----------------|--|
| 29 Feb 2024 | Bank Guarantee (BLR) | Short Term | 19.58 | ACUITE A2 (Reaffirmed) |
| | Letter of Credit | Short Term | 34.00 | ACUITE A2 (Reaffirmed) |
| | Bank Guarantee (BLR) | Short Term | 5.00 | ACUITE A2 (Assigned) |
| | Covid Emergency Line. | Long Term | 1.48 | ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable) |
| | Stand By Line of Credit | Long Term | 3.00 | ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable) |
| | Proposed Long Term Bank Facility | Long Term | 0.94 | ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable) |
| | Cash Credit | Long Term | 25.00 | ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable) |
| 06 Jan 2023 | Letter of Credit | Short Term | 30.00 | ACUITE A2 (Reaffirmed) |
| | Bank Guarantee (BLR) | Short Term | 18.60 | ACUITE A2 (Reaffirmed) |
| | Cash Credit | Long Term | 25.00 | ACUITE BBB+ Stable (Reaffirmed) |
| | Proposed Long Term Bank Facility | Long Term | 4.40 | ACUITE BBB+ Stable (Reaffirmed) |
| | Stand By Line of Credit | Long Term | 3.00 | ACUITE BBB+ Stable (Reaffirmed) |
| | Covid Emergency Line. | Long Term | 3.00 | ACUITE BBB+ Stable (Reaffirmed) |
| 31 Jan 2022 | Bank Guarantee (BLR) | Short Term | 18.60 | ACUITE A2 (Assigned) |
| | Letter of Credit | Short Term | 30.00 | ACUITE A2 (Assigned) |
| | Term Loan | Long Term | 0.66 | ACUITE BBB+ Stable (Assigned) |
| | Term Loan | Long Term | 4.68 | ACUITE BBB+ Stable (Assigned) |
| | Stand By Line of Credit | Long Term | 3.00 | ACUITE BBB+ Stable (Assigned) |
| | Proposed Long Term Bank Facility | Long Term | 2.06 | ACUITE BBB+ Stable (Assigned) |
| | Cash Credit | Long Term | 25.00 | ACUITE BBB+ Stable (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Complexity Level | Rating |
|---------------------|----------------------|----------------------------------|----------------------|----------------------|----------------------|-------------------|------------------|----------------------------------|
| State Bank of India | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 24.58 | Simple | ACUITE A2 Reaffirmed |
| State Bank of India | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 25.00 | Simple | ACUITE BBB Stable Reaffirmed |
| State Bank of India | Not avl. / Not appl. | Letter of Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 34.00 | Simple | ACUITE A2 Reaffirmed |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 2.42 | Simple | ACUITE BBB Stable Reaffirmed |
| State Bank of India | Not avl. / Not appl. | Stand By Line of Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 3.00 | Simple | ACUITE BBB Stable Reaffirmed |

Contacts

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About Acuité Ratings & Research

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