



Press Release
NANDAN STEELS AND POWER LIMITED
September 05, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	340.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	60.00	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	400.00	-	-

Rating Rationale

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE A-**' (read as **ACUITE A minus**) and its short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs. 400.00 Cr bank facilities of Nandan Steels and Power Limited(NSPL). The outlook is '**Stable**'.

Rationale for rating action

The rating takes into account the sound business risk profile of the group majorly driven by improvement in revenues and profitability. The consolidated revenues from operations of the group increased Rs. 1848.66 Cr in FY2023 (Provisional) as compared to revenues of Rs. 1396.82 Cr in FY2022, majorly driven by increased volume sales and average realization per unit of finished goods during the period. Furthermore, the operating profit margin of the group increased to 6.47 per cent in FY2023 (Provisional) as compared to 5.90 per cent in FY2022. The improvement in margins is attributable to the enhanced operational efficiencies and moderation in raw material prices. The group has reported profit after tax (PAT) pf Rs.44.69 Cr. in FY2023 (Provisional) as against Rs.24.64 Cr. in FY2022.

The rating also factors the healthy financial position of the group characterized by a healthy net worth base, moderate gearing levels and comfortable debt protection metrics. The rating also draws comfort from established track record and skilled promoters with location advantage along with integrated nature of operations.

However, these strengths are partially offset by debt funded capex undertaken by the group, cyclical nature of the steel industry and the vulnerability of the margins to the volatility in commodity prices.

About the Company

Incorporated in 2004, Nandan group was promoted by Mr. Ashok Kumar Agarwal, Mr. Binod Kumar Agarwal, Mr. Sanjay Kumar Kariwalla, Mr. Vikash Kumar Agarwal and Mr. Manish Kumar Agarwal of Raipur, Chattisgarh. Nandan Steel and Power Private Limited is the flagship company and currently has three fabrication units, two galvanizing units; two rolling mills for structural steel, Steel melting Shop (MS Billets) and a wire rod manufacturing unit. The group has a 12 MW captive power plant set up in Raipur along with a 2 MW solar power plant.

About the Group

Hi-Tech Power and Steel Limited (HTPSL) was incorporated in the year 2000. It has commenced production in 2004 and is engaged in manufacturing of sponge iron, billet, and

TMT bars. It has a capacity of 90,000 MTPA of Sponge Iron, Billets of 1,08,000 MTPA and TMT of 150000 MTPA. Its facility located in Raipur (Chhattisgarh). The TMT bars are sold under the

brand name 'Nandan TMT'. The company has also set-up a 12MW captive power plant and 2 solar power plant to meet its power requirements.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Nandan Steel and Power Limited (NSPL) and Hi-Tech Power and Steel Limited (HTPSL) together referred to as the 'Nandan Group' (NG). The consolidation is in the view of common promoters and management, intercompany holdings, operational linkages between the entities and a similar line of business.

Extent of Consolidation - Full

Key Rating Drivers

Strengths

- **Sound Business Risk Profile Sustained by Integrated Operations and Strategic Location Advantage with Established Track Record and Skilled Promoters**

The group is overseen by Mr. Ashok Kumar Agarwal, Mr. Binod Kumar Agarwal, Mr. Sanjay Kumar Kariwalla, Mr. Vikash Kumar Agarwal, and Mr. Manish Kumar Agarwal from Raigarh (Chhattisgarh), each possessing two decades of involvement in the iron & steel industry. Their extensive experience and established operational history have enabled them to foster strong relationships with key suppliers and respected customers nationwide. The diversified product portfolio, featuring TMT manufacturing, structural products, wire rod, galvanizing units, and fabrication units under the brand name "Nandan," contributes to their strengths. Acuité derives comfort from the management's extensive background and anticipates it will drive the company's steady operational growth moving ahead.

The group boasts a diversified array of products, including various specifications of wire rod and galvanized steel, catering to multiple key user industries. The consolidated revenues of the group stood at Rs. 1848.66 Cr. in FY2023 (Provisional) as compared to revenues of Rs.1396.82 Cr in FY2022, primarily due to increased volume sales and higher average realization per unit of sponge iron during the period.

Acuité believes that the group's diversified product range will effectively uphold its business risk profile in the medium term. Furthermore, the company enjoys a strategic location in the industrial hub of Raipur, which is closely linked to various steel plants and raw material sources. The well-established road and rail connectivity streamlines the transportation of both raw materials and finished goods.

Furthermore, the operating margin of the group stood at 6.47 per cent in FY2023(Provisional) as compared to 5.90 per cent in FY2022. The PAT margins stood at 2.42 per cent in FY2023(Provisional) as against 1.76 per cent in FY 2022. This margin expansion is attributable to enhanced operational efficiencies and moderation in raw material prices. However, the profitability margins remain susceptible towards volatility in raw material prices. The ROCE levels stood at a comfortable level of about 12.34 per cent in FY2023(provisional) as against 10.07 per cent in FY2022.

- **Healthy financial risk profile**

The group's healthy financial risk profile is marked by healthy net worth, modest gearing and comfortable debt protection metrics. The tangible net worth of the group stood at Rs.399.21 Cr as on March 31, 2023(Provisional) as compared to Rs.336.76 Cr as on March 31, 2022 due to accretion to reserves. Acuité has considered unsecured loans of Rs.35.30 Cr as on March 31, 2023(Provisional), as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. Furthermore, the gearing of the group stood moderate at 1.02 times as on 31 March 31, 2023(Provisional) as against 1.00 as on 31 March, 2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.49 times as on March 31, 2023 (Provisional) as compared to 1.44 times as on March 31, 2022. The debt

protection matrices of the company remain comfortable marked by Interest coverage ratio (ICR) of 3.22 times and debt service coverage ratio (DSCR) of 1.92 times for FY2023(provisional). The net cash accruals to total debt (NCA/TD) stood healthy at 0.19 times in FY2023(Provisional).

Also, the group had initiated a deliberate capital expenditure in NSPL at the Pipe mill and galvanizing project in anticipation of operations starting in July 2023, with an intended capacity of 200,000 MTPA. However, the project was executed in two distinct phases. Phase 1 of the pipe mill, with a capacity of 75,000 MTPA, became operational in March 2023, while the second phase involving another pipe mill of 75,000 MTPA and a galvanizing unit of 50,000 MTPA is scheduled for completion and operational launch in September 2023. Furthermore, the group had undertaken planned capex in HTPSL for backward integration in the form of ramping up the sponge iron and captive power plant which is a brownfield expansion. This capex increased the sponge iron manufacturing capacity from 90,000 MTPA to over 3,00,000 MTPA. Also, power plant of 16MW WHRB will help in significant saving in power cost. Moreover, this project will be operational from October, 2024. In addition to this, the company is also liable to receive 60% capital subsidy from the state government. The total cost of the project is Rs 284.96 crores which will be funded through debt of Rs 190.00 Cr and balance from promoters' sources and unsecured loan.

Going forward, Acuité believes that going forward the financial risk profile will remain healthy over the medium term, supported by healthy internal accrual generation, even though the company is expected to incur capex.

- **Moderate working capital management**

The working capital management of the group is moderate marked by Gross Current Assets (GCA) of 106 days for FY2023(Provisional) as compared to 116 days for FY2022. The moderate level of GCA days are mainly on account of other current assets. The high other current asset which mainly consists of other loans and advances, statutory deposits and material on loan. However, the inventory days of the group stood at 73 days in FY2023(Provisional) as compared to 81 days in FY2022, since the group has a diversified product profile, and has to maintain considerable amount of inventory both in terms of raw materials and finished goods. Further, the debtor days of the group stood at 16 days for FY2023(Provisional) as against 18 days for FY2022. Acuité believes that the working capital operations of the group will remain at the similar levels over the medium term.

Weaknesses

Strong Competitive Pressure and Inherent Cyclical Patterns in the Steel Sector

The steel rolling sector continues to lack organization and cohesion. The company faces strong competitive forces from both organized and unorganized participants, compounded by the cyclicity inherent in the steel industry. Moreover, the government's emphasis on steel-intensive sectors like railways and infrastructure increases vulnerability; any prolonged drop in demand would negatively affect steel companies' performance. Furthermore, the fluctuation in prices of raw materials and goods is considerably unstable. The business also contends with rivalry from more affordable imports from Indonesia and China. A substantial rise in imports could detrimentally affect earnings and quantities, making this a crucial aspect to watch.

Rating Sensitivities

- Growth in the scale of operations while improving profitability margins
- Elongation of working capital cycle
- Timely completion of the ongoing capex

All Covenants

None

Liquidity Position

Adequate

The group has adequate liquidity marked by adequate net cash accruals of Rs.78.81 Cr. as on March 31, 2023(Provisional) as against Rs.23.09 Cr. long term debt obligations over the same period. The current ratio of the group stood comfortable at 1.34 times in FY2023(Provisional). The cash and bank balance stood at Rs. 2.31 Cr for FY 2023(Provisional). Further, the working capital management of the group is moderate marked by Gross Current Assets (GCA) of 106 days for FY2023(Provisional) as compared to 116 days for FY2022.However, the bank limit of the group has been ~81.25 percent utilized for the last six months ended in June 2023. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

Outlook: Stable

Acuité believes that the outlook on the group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, strong business risk profile healthy financial risk profile and working capital management. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustenance in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins, or in case of deterioration in the group's financial risk profile and liquidity position or delay in completion of its projects or further elongation in its working capital cycle.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	1848.66	1396.82
PAT	Rs. Cr.	44.69	24.64
PAT Margin	(%)	2.42	1.76
Total Debt/Tangible Net Worth	Times	1.02	1.00
PBDIT/Interest	Times	3.22	2.75

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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, 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
01 Mar 2023	Term Loan	Long Term	7.14	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Covid emergency line	Long Term	14.99	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	21.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	19.46	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	61.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	49.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	41.00	ACUITE A- Stable (Assigned)
	Proposed Cash Credit	Long Term	2.34	ACUITE A- Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	38.00	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Covid emergency line	Long Term	25.11	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	5.96	ACUITE A- Stable (Reaffirmed)
16 Feb 2023	Letter of Credit	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	61.00	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	5.96	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	25.00	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A2+ (Reaffirmed)
	Term Loan	Long Term	19.46	ACUITE A- Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	2.34	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	7.14	ACUITE A- Stable (Reaffirmed)
	Covid emergency line	Long Term	25.11	ACUITE A- Stable (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A2+ (Reaffirmed)
		Long		ACUITE A- Stable

	Covid emergency line	Term	14.99	(Reaffirmed)
	Cash Credit	Long Term	49.00	ACUITE A- Stable (Reaffirmed)
04 Feb 2022	Covid emergency line	Long Term	17.60	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	61.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	26.73	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	2.68	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2+ (Assigned)
	Term Loan	Long Term	5.27	ACUITE A- Stable (Assigned)
	Covid emergency line	Long Term	28.97	ACUITE A- Stable (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A2+ (Assigned)
	Proposed Cash Credit	Long Term	10.12	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	8.63	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	34.00	ACUITE A- 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
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2+ Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	91.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	49.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	38.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	25.11	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	14.99	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A2+ Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.34	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.14	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	19.46	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.96	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	21.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	41.00	ACUITE A- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 dipti.choudhary@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.