

Press Release

Narsingh Ispat Udyog Private Limited

May 23, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB+ Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	15.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BBB +**' (read as **ACUITE Triple B Plus**) from '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs 15.00 crore bank facilities of Narsingh Ispat Udyog Pvt Ltd (NIUPL). The outlook is '**Stable**'.

The rating upgrade is mainly driven by improvement in group's financial risk profile driven by sharp reduction in debt level as the group has repaid a significant portion of external debt during FY22. This repayment is funded through improved accruals. In addition, the group has also witnessed substantial improvement in profit margin because of rise in average realization of pig iron. However, these strengths are partly offset by cyclical nature of the steel industry.

About the Company

Narsingh Ispat Udyog Private Limited (NIUPL) is an associate concern of NIL which is engaged in trading of pig iron, coal and coke.

About the Group

Narsingh Ispat Limited (NIL) was incorporated in 2004 by Kolkata based Mr Hemant Goyal and his family members. The company is engaged in manufacturing of pig iron with an installed capacity of 92000 MTPA. The manufacturing unit is located at Jharkhand.

Analytical Approach

Acuité has taken a consolidated view of Narsingh Ispat Limited and Narsingh Ispat Udyog Private Limited as both the entities have common management and have significant operational linkages between them. NIL holds around 44 percent stake in NIUPL. In addition, NIL has extended corporate guarantee to NIUPL. The group herein is referred to as Narsingh Group. Extent of Consolidation: Full

Key Rating Drivers

Strengths

Experienced Management

The group is managed by Mr. Hemant Goyal who has more than two decades of experience in steel industry through group concerns. The group has a strong customer base which mid size steel companies such as Rungta Mines Limited, Shyam Steel Industries Limited, Balmukund Sponge & Iron Private Limited (rated at Acuité BBB+/Stable/A2).

The scale of operation of the group has improved as revenue stood at Rs 485.05 Cr in FY22(Provisional) as against Rs 436.16 Cr in FY21. The improvement is driven by increase in trading activity. Acuité believes that the group will benefit from the experienced management and long term relationships with customers.

Comfortable financial risk profile

The comfortable financial risk profile of the group is marked by its moderate net worth, low gearing ratio and strong debt protection metrics. The net worth stood at Rs.87.88 Cr as on 31st March 2022(Provisional) as compared to Rs 52.31 Cr in the previous year. The gearing of the group stood at 0.46 times as on 31st March 2022(Provisional) as against 1.54 times as on 31st March, 2021 due to decline in debt level. TOL/TWN stood at 1.04 times in FY22(Provisional) as against 2.74 times in FY21. The interest coverage ratio stood strong at 9.92 times as on 31st March, 2022(Provisional) as against 3.11 times as on 31st March, 2021. DSCR of the group stood at 4.19 times in FY22 (Provisional) in comparison to 2.10 times in FY21. The improvement in coverage ratios is on account of rise in profit margin. The Net Cash accruals to Total Debt (NCA/TD) stood at 1.12 times in FY2022 (Provisional) as compared to 0.23 times in the previous year. Acuité believes the financial risk profile to remain comfortable over the medium term backed by steady accruals and absence of any large debt funded capex plan.

Improving profit margins

The group has witnessed substantial improvement in profitability margins as EBITDA margin stood at 11.45 percent in FY22(Provisional) as compared to 6.79 percent in FY21. RoCE of the group stood at 37.89 percent in FY22(Provisional) as against 16.56 percent in FY21. The improvement is on account of rise in average realization of pig iron because of strong demand from end user industries. Acuité believes that the profitability of the group will remain at comfortable level over the medium.

Efficient working capital operations

The group's operation has an efficient working capital requirement marked by Gross Current Asset (GCA) of 74 days in FY2022(Provisional) as against 96 days in FY2020. Inventory day stood at 35 days in FY2022(Provisional) as against 42 days in FY2020. The debtor days improved to 8 days for FY2022(Provisional) as against 14 days for FY2021. Acuité expects the GCA days to hover around same levels over the medium term because of low debtor level.

Weaknesses

Cyclical nature of the industry

The group's performance remains vulnerable to cyclicity in the steel sector as demand for steel depends on performance of end user segments such as construction and real estate. Indian steel sector is highly competitive due to presence of large number of players. The operating margin of the group is exposed to fluctuations in the prices of raw materials (coal and iron ore) as well as realization from finished goods.

Rating Sensitivities

- Stability in revenue growth and profit margins
- Deterioration in capital structure

Material covenants

None

Liquidity profile: Adequate

The group has an adequate liquidity profile as the working capital utilization stood comfortable at 77 percent during last 7 months ended April 2022. The net cash accrual stood at Rs 45.08 Cr in FY22(Provisional) as against current maturity of Rs. 2.00 Cr only. Going forward, the net cash accruals are expected to be in the range of Rs 44 Cr as against loan repayments of around Rs.3 Cr from FY23-FY24. Current ratio stood at 1.18 times in FY 22(Provisional). In addition, the group has comfortable working capital requirement as GCA days stood at 74 days in FY22(Provisional) as against 96 days in FY21. Acuite believes liquidity profile will remain adequate in medium term backed by absence of large debt led capex plan and healthy net cash accrual.

Outlook : Stable

Acuite believes the outlook on group will remain 'Stable' over the medium term backed by its comfortable financial risk profile and the ongoing upturn in the steel cycle. The outlook may be revised to 'Positive' if the group is able to register sustained revenue growth along with sustenance in the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile or liquidity profile due to unplanned debt funded capex programme.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	438.16	372.23
PAT	Rs. Cr.	10.77	6.39
PAT Margin	(%)	2.46	1.72
Total Debt/Tangible Net Worth	Times	1.54	1.89
PBDIT/Interest	Times	3.11	2.76

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

None

Any other information

Not Applicable

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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Jun 2021	Cash Credit	Long Term	11.50	ACUITE BBB- Stable (Assigned)
	Proposed Term Loan	Long Term	0.34	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.27	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.89	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE BBB+ Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	10	Not Applicable	2.00	ACUITE BBB+ Stable Upgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.36	ACUITE BBB+ Stable Upgraded
Punjab National Bank	Not Applicable	Term Loan	30-09-2020	10	30-09-2027	1.14	ACUITE BBB+ Stable Upgraded

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About Acuité Ratings & Research

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