



**Press Release**  
**Narayani Resources Private Limited**  
**June 06, 2024**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	52.00	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	30.00	-	ACUITE A3   Assigned
Bank Loan Ratings	108.00	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	200.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and its short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 160.00 Cr. bank facilities of Narayani Resources Private Limited (NRPL) . The outlook remains '**Stable**'. Further, Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 40.00 Cr. bank facilities of Narayani Resources Private Limited (NRPL) . The outlook is '**Stable**'.

**Rationale for Reaffirmation**

The reaffirmation takes into account the improvement in the operating performance of Narayani Resources Private Limited along with its moderate financial risk profile of the company. The company generated a revenue of Rs. 938.18 crore (Prov) in FY2024 as against Rs. 1050.24 crore in FY2023. The decline in operating income is due to the decline in the prices of coal, in which the company trades. The coal prices had increased significantly in FY2022-23 due to the Russia-Ukraine war, As many European countries moved to restricting gas imports from Russia, coal had become the alternative choice to fulfil the power supply gap, up swinging the prices. The EBITDA margin stood at 3.21 (Prov) percent in FY2024 as against 2.09 percent in FY2023. The financial risk profile is moderate with gearing ratio below unity and adequate debt protection indicators. The revenue is expected to improve on account of high demand from end user industries like iron and steel, power, cement, etc.

The rating further reflects the extensive experience of the promoters in the coal trading business which helped them to build a healthy relationship with reputed the clients namely Trafigura India Private Limited, Essar Power Gujarat Limited to name a few.

These strengths are however, partially offset by exposure to counterparty risk, volatility in coal prices, and changes in regulatory policies.

## About the Company

Incorporated in 2011, Kolkata based Narayani Resources Private Limited (NRPL) is engaged in trading of coal, iron ore, coke and limestone. NRPL started its operations in FY2019 and is promoted by Mr. Ankur Agarwal, and Mr. Ashish Karnani who have extensive experience in the coal trading industry. The company caters to the coal requirements of power, metal, paper, steel and cement industries and it procures coal from domestic market, as well as from the regions of South Africa, Australia and Indonesia as per requirement.

## Unsupported Rating

Not Applicable

## Analytical Approach

Acuite has considered the standalone business and financial risk profile of NRPL to arrive at the rating.

## Key Rating Drivers

### Strengths

#### Experienced management and established relationship with customers

The promoter, Mr. Ankur Agarwal has more than a decade of experience that helped them to establish comfortable relationships with the key suppliers and reputed clients with high credit worthiness in the domestic market. Some of the key customers of the company are Trafigura India Private Limited, Essar Power Gujrat Limited, Shyam Steel Industries Limited to name a few. Acuite derives comfort from the long experience of the management and believes this will benefit the company going forward, resulting in steady growth in the scale of operations.

#### Moderate Financial Risk Profile

The company's financial risk profile is marked by moderate but increasing networth, comfortable gearing and adequate debt protection metrics. The tangible net worth of the company improved to Rs. 85.77 crore as on March 31, 2024 (Prov) from Rs. 66.47 crore as on March 31, 2023 aided by equity infusion by promoters and accretion of profit to reserves. Acuite has considered unsecured loans worth Rs. 24.00 crore as quasi equity as these are subordinated to bank debt. The gearing stood at 0.55 times on March 31, 2024 (Prov) as against 0.47 times as on March 31, 2023. The Total outside Liabilities to Tangible Networth stood at 2.89 times on March 31, 2024(Prov) as against 4.26 times on March 31, 2023. Net Cash Accruals to Total Debt stood at 0.32 times as on March 31, 2024(Prov). Debt/EBITDA stood at 1.44 times as on March 31, 2024 (Prov).

The coverage indicators have moderated with Interest Coverage Ratio at 2.54 times and Debt Service Coverage Ratio at 2.10 times on March 31, 2024 (Prov) as against 4.21 times and 3.20 times on March 31, 2023. This is due to significant rise in the finance cost.

Acuite believes that financial risk profile of the company may continue to remain moderate with no major debt funded capex plan and steady accruals.

#### Moderate Working Capital Management

The working capital management of the company is moderate marked by GCA days of 104 days as on March 31, 2024 (Prov) as against 109 days on March 31, 2023. The GCA days are driven by inventory days and debtor days. The inventory days stood at 5 days on March 31, 2024 (Prov) against 20 days on March 31, 2023. Debtor days stood at 60 days on March 31, 2024 (Prov) as against 53 days on March 31, 2023.

However, despite decline in operating income in FY2024, the cash conversion (cash flow from operations / EBITDA) has been moderate, and cash flow from operations has been positive in FY2024, as compared to negative cash flow from operations generated in the previous years.

Acuite believes that working capital operations of the company may continue to remain moderate considering the trading nature of business.

### Weaknesses

## **Competitive and regulated industry**

Coal being a commodity has demonstrated significant volatility in its prices in the past. Imported coal prices are also governed by global demand-supply factors. The coal trading and transport industry is highly fragmented, with a large number of players, due to the low entry barriers. Also, the industry is highly regulated, with the ministry of coal governing its operations in the country. Any adverse regulations would impact the operations of the company. The company may face challenges if receivables exceed usage of letters of credit. Furthermore, the business risk profile remains exposed to fluctuations in coal prices and the regulatory policies of the government.

Acuité believes that any change in regulations and policies could have an adverse impact on the business risk profile of NRPL and expects the profitability position of the company to remain modest over the medium term.

## **High customer concentration risks**

NRPL is exposed to high customer concentration, as majority of its revenue is concentrated towards Essar Power Gujarat Limited, Varrsana Ispat Limited, etc. Also, the company has added new customers such as Sambhv Sponge Power Private Limited, KHP Resources Private Limited, SMC Power Generation Limited, etc. The company is engaged in the trading of coal, iron ore, coke and limestone. Any decline in offtake from its customers will have a huge impact on the company's sales volume.

Acuité believes that, however, the customer concentration is mitigated to some extent by the established relationship of the company with its customers since its inception.

## **Rating Sensitivities**

- Sustained growth in revenue and profitability, while maintaining positive cash flow from operations.
- Efficient working capital management

## **Liquidity Position Adequate**

The company's liquidity is adequate marked by net cash accruals of Rs. 15.05 crore in FY2024(Prov) against repayment of maturing debt obligations of Rs. 0.42 (Prov) crore for the same period. The current ratio of the company stood at 1.34 times on March 31, 2024 (Prov). The fund based utilization stood moderate at ~81.25 percent for six months ended April 2024 and non fund based limits stood at ~85.00 percent on April 2024.

Acuité believes that liquidity position of the company may continue to remain adequate with steady cash accruals and moderate dependence on bank borrowings.

## **Outlook: Stable**

Acuité believes that the outlook of the company will remain 'Stable' over the medium term on account of sustainable growth in the financial performance of the company marked by satisfactory scale of operations and sustenance of profitability margins coupled with comfortable capital structure and debt coverage indicators on the back of consistent increase in the networth and healthy cash accruals over the years. Conversely, the outlook may be revised in case of weakening of its business risk profile, lower coal offtake and deterioration in profitability margins thereby impacting the liquidity and debt protection indicators of the company.

## **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	938.18	1050.24
PAT	Rs. Cr.	14.32	13.71
PAT Margin	(%)	1.53	1.31
Total Debt/Tangible Net Worth	Times	0.55	0.47
PBDIT/Interest	Times	2.54	4.21

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

Not Applicable

## Any other information

None

## Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Aug 2023	Cash Credit	Long Term	17.50	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	30.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	47.00	ACUITE A3 (Reaffirmed)
	Packing Credit	Long Term	7.50	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	8.00	ACUITE BBB-   Stable (Assigned)
	Proposed Short Term Bank Facility	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	17.00	ACUITE A3 (Assigned)
11 May 2023	Cash Credit	Long Term	25.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Short Term	30.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	47.00	ACUITE A3 (Assigned)
	Proposed Short Term Bank Facility	Short Term	3.00	ACUITE A3 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.50	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB-   Stable   Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB-   Stable   Reaffirmed
South Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB-   Stable   Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB-   Stable   Assigned
South Indian Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.00	ACUITE A3   Reaffirmed
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	47.00	ACUITE A3   Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A3   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A3   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3   Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A3   Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE BBB-   Stable   Reaffirmed

Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BBB-   Stable   Reaffirmed
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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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