Press Release
NANDAN METALLICS PRIVATE LIMITED
November 29, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	95.00	ACUITE A- | Stable | Assigned	-
Bank Loan Ratings	10.00	-	ACUITE A2+ | Assigned
Total Outstanding Quantum (Rs. Cr)	105.00	-	-

Rating Rationale

Acuité has assigned 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. 105.00 Cr bank facilities of Nandan Metallics Private Limited(NSPL). The outlook is '**Stable'.**

Rationale for rating

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. 1849.62 Cr in FY2023 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 6.13 per cent in FY2023 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) of Rs.32.97 Cr. in FY2023 as against Rs.24.64 Cr. in FY2022.

The rating also draws comfort from established track record and skilled promoters with location advantage along with integrated nature of operations. 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 metrices.

However, these strengths are partially offset by cyclical nature of the steel industry and the vulnerability of the margins to the volatility in steel prices.

About the Company

Nandan Metallics Private Limited (NMPL), established on April 3, 2023, is a privately held company and is headquartered in Raipur, Chhattisgarh. The company has successfully acquired the manufacturing facility of. C. G Ispat Pvt. Ltd. (CGIPL), also based in Raipur. CGIPL operated a Rolling Mills unit having capacity of 100000 Million tonnes per annum (MTPA), which specialises in the production of various products such as MS Beams, Angles, and Channels.

About the Group

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 of 80000 MTPA; two rolling mills for structural steel of 140000 MTPA, Steel melting Shop (MS Billets) of 130000 MTPA, a wire rod manufacturing unit of 130000 MTPA and pipe mill manufacturing unit of 150000 MTPA.

The group has a 12 MW captive power plant set up in Raipur along with a 2 MW solar power plant.

Hi-Tech Power and Steel (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 MW solar power plant to meet its power requirements.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Nandan Steel and Power Limited (NSPL), Hi-Tech Power and Steel (HTPSL) and Nandan Metallics Private Limited(NMPL) 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

- **Established track record and skilled promoters with location advantage along with integrated nature of operations**

The group is managed 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 experience 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 Thermo Mechanically Treated (TMT) steel 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. 1849.62 Cr in FY2023 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. NMPL has achieved revenue of Rs. 153.92 Cr as on September 2023.

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 6.13 per cent in FY2023 as compared to 5.90 per cent in FY2022. The PAT margins stood at 1.78 per cent in FY2023 as against 1.76 per cent in FY 2022. This margin improvement 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 Return on Capital Employed (RoCE) levels stood at a comfortable level of about 11.97 per cent in FY2023 as against 10.07 per cent in FY2022.

- **Healthy financial risk profile**

The group's financial risk profile is marked by healthy net worth, modest gearing and comfortable debt protection metrics. The adjusted tangible net worth of the group stood at Rs.378.64 Cr as on March 31, 2023 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, as quasi-equity as the management has subordinated the same to bank loans. The adjusted gearing of the firm stood modest at 1.07 times as on 31 March 31, 2023. The adjusted Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.60 times as on March 31, 2023 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 3.12 times and debt service coverage ratio (DSCR) of 1.55 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.14 times in FY2023.

Also, the group had undertaken planned capex in HTPSL for backward integration in the form of ramping up the sponge iron, captive power plant and Forward integration of HB Wire Road of 500 TPD and Ferro Alloys(1*9MVA) which is a brownfield expansion. This capex is expected to increase the sponge iron manufacturing capacity from 90,000 MTPA to over 3,00,000 MTPA. Also, power plant of 16MW Waste Heat Recovery Boiler (WHRB) unit 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 per cent capital subsidy from the state government. The total cost of the project is Rs 284.96 crore which will be funded through debt of Rs 190.00 Cr and balance from promoters' sources and unsecured loan. Furthermore, the group decided to acquire manufacturing unit of C.G Ispat Private Limited of Rolling mill which is producing MS Beam, angles, channels, joist, flat, round, strip mill with an installed capacity of 1,00,000 MTPA in a new company, NMPL. This acquisition involved a transaction of Rs. 58.00 Crore, with the overall project cost amounting to Rs. 92.90 Crore, inclusive of all reconstruction and modernization expenses. The total cost of the project is Rs. 92.90crore (working capital margin Rs.13.39 Cr) is which will be funded through debt of Rs. 60.00 Cr and Rs. 32.90 Cr from promoters' sources.
Going forward, Acuité believes that the financial risk profile is expected to remain healthy over the medium term, supported by healthy internal accrual generation thus sustaining the capital structure, even though the group is incurring debt funded capex and comfortable debt protection metrics.

- **Moderate working capital requirements**

The working capital management of the group is moderate marked by Gross Current Assets (GCA) of 104 days for FY2023 as compared to 116 days for FY2022. The moderate level of GCA days are mainly on account of other currents assets. The high other current asset which mainly consists of other loans and advances and statutory deposits. However, the inventory days of the group stood at 72 days in FY2023 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 13 days for FY2023 as against 18 days for FY2022. Against this, the group receives a credit of 27 days from its suppliers which aids the working capital requirements. The bank limit utilisation of the group stayed at ~81.25 percent utilized for the last six months ended in June 2023. Acuité believes that the working capital operations of the group will remain at the similar levels over the medium term.

Weaknesses

- **Cyclical nature of the steel industry and the vulnerability of the margins to the volatility in steel prices**

The steel rolling sector continues to lack organization and cohesion. The group faces strong competitive forces from both organized and unorganized participants, compounded by the cyclicality 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 group's 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. Although, the operating margin of the group stood at 6.13 per cent in FY2023 as compared to 5.90 per cent in FY2022 which is largely attributed to enhanced operational efficiencies and moderation in raw material prices. However, the profitability margins remain susceptible towards volatility in raw material prices.

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

Not Applicable

Liquidity Position

Adequate

The group has adequate liquidity marked by adequate net cash accruals of Rs.56.45 Cr. as on March 31, 2023 as against Rs.23.09 Cr. long term debt obligations over the same period. The current ratio of the group stood comfortable at 1.28 times in FY2023. The cash and bank balance stood at Rs. 2.31 Cr for FY 2023. Further, the working capital management of the group is moderate marked by Gross Current Assets (GCA) of 104 days for FY2023 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 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1849.62	1396.82
PAT	Rs. Cr.	32.97	24.64
PAT Margin	(%)	1.78	1.76
Total Debt/Tangible Net Worth	Times	1.07	1.00
PBDIT/Interest	Times	3.12	2.75

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

None

Any other information

None

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, 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 :

Not Available

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A2+ | Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A- | Stable | Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A- | Stable | Assigned
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A- | Stable | Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A2+ | Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	20.00	ACUITE A- | Stable | Assigned
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.00	ACUITE A- | Stable | Assigned
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	25.00	ACUITE A- | Stable | Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022–49294017 mohit.jain@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.