



Press Release
NANDAN METALLICS PRIVATE LIMITED
February 13, 2025
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	115.00	ACUITE A Stable Upgraded Positive to Stable	-
Bank Loan Ratings	10.00	-	ACUITE A1 Upgraded
Total Outstanding Quantum (Rs. Cr)	125.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating to "**ACUITE A (read as ACUITE A)**" from "**ACUITE A-(read as ACUITE A minus)**" and the short-term rating to "**ACUITE A1 (read as ACUITE A one)**" from "**ACUITE A2+ (read as ACUITE A two plus)**" for Rs.125.00 Cr. bank facilities of Nandan Metalics Private Limited (NMPL). The outlook is revised from "**Positive**" to "**Stable**".

Rationale for Rating

Nandan Metalics Private Limited had appealed the rating assigned on the enhanced bank facilities and reaffirmed on the existing bank facilities to it on January 22,2025 and had provided incremental information based on which the rating is being upgraded, and the outlook revised. The information provided clarity about the sustainability of the scale of operations and increasing capacity utilisation of the manufacturing facilities. Furthermore, the company provided us with details about capitalisation of capex going on in Hi-tech Steel and Power Limited, and its effect on the overall growth of the group. The management of the Company also shared incremental information for improving working capital cycle of the company and lower bank limit utilisation despite being a part of steel industry.

The upgrade of rating while change in outlook is on account of the expected augmentation of the additional capacities in Hi-tech Power and Steel Limited from April 2025 which is expected to generate future cost efficiencies for the group while adding to their overall revenue profile. The group's Rs. 284.96 Cr. capital expenditure is focused on expanding production and backward integration. Newplants, including a 700 TPD sponge iron facility, HB Wire Rod of 500TPD, Ferro Alloy (1*9 MVA) and CPP of 16MW of WHRB, will increase capacity significantly and reduce power costs. The timely execution and stabilisation of this backward integration project with the ongoing business will remain a key monitorable. The group benefits from a seasoned management team with over 20 years of experience in the steel industry, strong customer-supplier relationships, and a diversified product portfolio, including TMT bars, sponge iron, billets, structural steel, and wire rods. Financially, the group saw 28% revenue growth, from Rs. 1,849.23 Cr. in FY2023 to Rs. 2,368.23 Cr. in FY2024. Profitability improved with EBITDA and PAT margins rising to 6.81% and 2.34%, respectively. The group's gearing ratio is moderate at 1.30x, and working capital management has improved with reduced inventory days. However, challenges include the cyclical nature of the steel industry and margin vulnerability due to fluctuating 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 1,00,000 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, Chhattisgarh. Nandan Steels and Power Limited (NSPL) is the flagship company and currently has three fabrication units & two galvanizing units of 90,000 MTPA two rolling mills for structural steel of 1,40,000 MTPA, Steel melting Shop (MS Billets) of 1,30,000 MTPA, a wire rod manufacturing unit of 1,30,000 MTPA and pipe mill manufacturing unit of 70,000 MTPA. NSPL is a fully functional, integrated, fast moving and automated company. It is created to facilitate and promote the production of steel and steel products for global market. NSPL is a public limited company registered under companies Act-1956 and also registered in DTIC, Raipur (Chhattisgarh). It manufactures M.S. Structural Steel having specialization in M.S. Angles, M.S. Channels, M.S. Joists, H. Beams, Billets and Blooms. Wire rods and fabrications and Galvanising steel structures, TLT tower, OHE sub stations and SPS. 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 1,38,000 MTPA and TMT of 1,50,000 MTPA. Its facility located in Raipur (Chhattisgarh). The TMT bars are sold under the brand name 'Nandan TMT'.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at this rating, Acuité has consolidated the business and financial risk profiles of Nandan Steels and Power Limited, Hi-Tech Power and Steel Limited (HTPSL) and Nandan Metallics Private Limited (NMPL) together referred to as the 'Nandan Group' (NG). The consolidation is in the view of common management, parent subsidiary relationship, strong operational linkages between the entities and a similar line of business.

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 has increased revenues of Rs. 2,368.23 Cr. in FY2024 as compared to revenues of Rs. 1849.23 Cr. in FY2023. The improvement in revenues is majorly on account of increase in volume sales as well as increase in average realization per unit of sponge iron during the period. Furthermore, the operating margin of the group stood at 6.81 per cent in FY2024 as compared to 6.27 per cent in FY2023. The PAT margins stood at 2.34 per cent in FY2024 as against 1.78 per cent in FY2023. The profitability margin has increased the operating profit per tonne of steel sold has increased which signifies that the group is making incremental profit per tonne of steel sold due to the better operating efficiencies and economies of scale. The ROCE levels stood at a comfortable level of about 13.49 per cent in FY2024 as against 12.37 per cent in FY2023. Going forward, the group's revenue is likely to increase significantly soon in addition to the expansion of sales through the regular and expanded channels of dealer distributors.

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.469.41 Cr. as on March 31, 2024 as compared to Rs.378.65 Cr. as on March 31, 2023 due to accretion to reserves. Acuité has considered unsecured loans of Rs.55.60 Cr. as on March 31, 2024, as quasi-equity as the management has undertaken to maintain the amount the business over the medium term. The gearing of the company stood modest at 1.3 times as on 31 March 31, 2024.

The increase is due to long-term debt undertaken for capex for Hi-tech Steel. Similarly, the Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.76 times as on March 31, 2024 as compared to 1.59 times as on March 31, 2023. The debt protection metrics of the company remain comfortable marked by Interest coverage ratio (ICR) of 3.01 times and debt service coverage ratio (DSCR) of 1.71 times for FY2024. The net cash accruals to total debt (NCA/TD) stood healthy at 0.14 times in FY2024. Acuité believes that going forward the financial risk profile will remain healthy over the medium term, supported by healthy internal accrual generation, along with integrated nature of operations.

Moderate working capital management

The working capital management of the group is moderate marked by Gross Current Assets (GCA) of 88 days for FY2024 as compared to 99 days for FY2023. The GCA days of the group emanates from the high other current asset, which mainly consists of other loans and advances, statutory deposits and material on loan. The inventory days of the group stood at 58 days in FY2024 as compared to 72 days in FY2023. For HPSL, the inventory days are usually between 45-60 days, however the same has reduced to 47 days in FY2024 compared to 64 days in FY2023. For NSPL, the inventory is high on account of quality checks which are done by third parties. However, due to increase in inventory turnover, the inventory days have reduced in FY2024. The debtor days stood at 13 days in FY2024 against 12 days in FY2023. Days payable outstanding stood at 16 days against 26 days in FY2023. The working capital cycle ranges between 50-60 days and there are no instances of drags on liquidity. 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 group 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 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 6.81 per cent in FY2024 as compared to 6.27 per cent in FY2023 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.

ESG Factors Relevant for Rating

Manufacture of metals has a substantial environmental impact. The production of basic metals is extremely power-intensive. Steel is still produced with blast furnaces, releasing large amounts of carbon dioxide, nitrogen oxide, and particulate matters into the air. However, the company operates a 12MW captive power plant, comprising 6MW of Fluidized Bed Combustion (FBC) and 6MW of Waste Heat Recovery Boilers (WHRB). This plant captures harmful emissions such as carbon dioxide and nitrogen oxide and converts them into green energy, which is then used in the company's production processes, preventing the release of these pollutants into the air. Additionally, the company is set to launch a 16MW WHRB-based captive power plant by April 2025, further enhancing its green energy production from harmful emissions and contributing to environmental protection. The company also operates a 2MW solar power plant, providing further energy savings. On the social front, ensuring the health and safety of the workforce is a top priority, given the hazardous nature of the industry. Furthermore, ethical business practices, management compensation, and board governance are key considerations within the sector.

Rating Sensitivities

- Growth in the scale of operations while improving profitability margins
- Changes in working capital cycle
- Timely stabilization of the ongoing capex in Hi-tech Power and Steel Limited

Liquidity Position Adequate

The group has adequate liquidity marked by adequate net cash accruals of Rs. 87.04 Cr. as on March 31, 2024 as against Rs. 28.44 Cr. long term debt obligations over the same period. The current ratio of the group stood comfortable at 1.2 times in FY2024. The cash and bank balance stood at Rs.2.93 Cr. for FY2024. Further, the working capital management of the group is moderate marked by Gross Current Assets (GCA) of 88 days for FY2024 as compared to 99 days for FY2023. However, the bank limit of the group has been ~66 percent utilized for the last six months ended in November 2024. 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

Other Factors affecting Rating

none

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	2368.23	1849.23
PAT	Rs. Cr.	55.40	32.97
PAT Margin	(%)	2.34	1.78
Total Debt/Tangible Net Worth	Times	1.30	1.07
PBDIT/Interest	Times	3.01	2.95

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

Not applicable

Any Other Information

None

Applicable Criteria

- 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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. Acuité'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
22 Jan 2025	Cash Credit	Long Term	10.00	ACUITE A- Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	18.42	ACUITE A- Positive (Reaffirmed (Stable to Positive))
	Cash Credit	Long Term	15.00	ACUITE A- Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	25.00	ACUITE A- Positive (Reaffirmed (Stable to Positive))
	Cash Credit	Long Term	10.00	ACUITE A- Positive (Reaffirmed (Stable to Positive))
	Term Loan	Long Term	12.92	ACUITE A- Positive (Reaffirmed (Stable to Positive))
	Proposed Long Term Bank Facility	Long Term	3.66	ACUITE A- Positive (Reaffirmed (Stable to Positive))
	Cash Credit	Long Term	20.00	ACUITE A- Positive (Assigned)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A2+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)
29 Nov 2023	Cash Credit	Long Term	10.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	20.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	15.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	15.00	ACUITE A- Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A2+ (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (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.	5.00	Simple	ACUITE A1 Upgraded (from ACUITE A2+)
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A1 Upgraded (from ACUITE A2+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.66	Simple	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2030	18.42	Simple	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
Axis Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2030	12.92	Simple	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2030	25.00	Simple	ACUITE A Stable Upgraded Positive to Stable (from ACUITE A-)

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

Sr.No	Company Names
1	Hi-tech Power and Steel Limited
2	Nandan Metalics Private Limited
3	Nandan Steels and Power Limited

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About Acuité Ratings & Research

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