



Press Release

NRC Industries Limited

02 December 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action
1.	Long Term Bank Facilities – Fund Based	28.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	IVR BBB- / Credit watch with developing implications (IVR Triple B Minus under credit watch with developing implications)	Revised
3.	Short Term Bank Facilities – Non-Fund Based	27.00	IVR A4+ (IVR Single A Flour Plus)	IVR A3 / Credit watch with developing implications (IVR Single A Three under credit watch with developing implications)	Revised
	Total	55.00 (Rs Fifty-Five crores only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of **NRC Industries Limited** have been revised due to substantial decrease in the total operating income/ profitability recorded in FY21. The company derives comfort from extensive experience of the promoters, comfortable capital structure & reputed clientele. These factors are offset by susceptibility to working capital intensive operations, moderation in operating and profitability margins and competition in the industry.



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Key Rating Sensitivities:

Upward Factors

- Sharp increase in total income with significant improvement in margins and cash accruals on a sustained basis
- Improvement in capital structure, debt protection metrics and liquidity

Downward Factors

- Dip in operating income/ or profit thereby impacting the debt coverage indicators and/ or any deterioration in financial risk profile.
- Any further rise in working capital intensity or unplanned capex leading to deterioration of liquidity position.
- Withdrawal of subordinated unsecured loan amounting to Rs.1.62 crore (outstanding as on March 31,2021)

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced management with long track record of operations**

The affairs of the company are being mainly looked after by its directors, viz., Mr. Tarunjit Singh, Executive Director, Mr. Jasneet Singh, Executive Director, Mr. Tarunjit Singh, Executive Director, Mr. Arvinder Singh, CEO and Mr. Absar Ahmad Khan, Director (Marketing), who are having long experience in this line of activity. They are being assisted by a team of qualified and experienced staff who look after finance, production, and quality control, marketing, and general administration.

- **Comfortable capital structure**

The capital structure of the company remained comfortable over the past fiscals. The overall gearing remained comfortable at 0.88x as on March 31, 2021. The net worth stood healthy at of INR 29.24 crore as on March 31, 2021, as against INR 27.85 crore in the previous year. To arrive at the net worth, Infomerics has considered INR 1.62 crore of unsecured loans from related and non-related as quasi equity as the same is subordinated to the bank facilities. Further, total indebtedness of the company as reflected by TOL/ANW remained stable and comfortable at 1.27x as on March 31, 2021 (TOL/TNW at 1.50x in FY20).



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- **State of the art manufacturing facilities with backward integration**

The unit is a registered SSI unit and is engaged in the manufacturing of transmission belting, conveyor belts and industrial fabric. The manufacturing facility of the NRC is ISO 9001 certified. The company is only one of two manufacturers of conveyor belting in India, which has got the facility of twisting/doubling of nylon yarn, weaving, and dipping of nylon fabric and thus backwardly integrated, to the extent possible. Further, the facilities of the company are running with healthy capacity utilisation over the years.

- **Reputed clientele albeit customer concentration**

The company mainly caters to various PSU's such as Coal India, NTPC, SAIL, etc. in the various Govt. departments like Electricity Boards, Steel Plant, Cement Plants, Mines, and dealers in private sector. Though customers being reputed government companies impart comfort with low counterparty risk.

Key Rating Weaknesses

- **Raw material price risk and susceptibility to foreign exchange fluctuations**

Some of the key raw materials used in manufacturing of the company are derivatives of crude oil. Crude oil has exhibited considerable volatility in the past on account of various reasons. Any adverse fluctuation in crude oil prices going forward may impact the profitability of NRC. However, this risk is mitigated to a certain extent as the prices of purchases and sales are fixed in advance.

- **Moderation in operating and profitability margins**

The EBITDA margins has deteriorated from 6.38% in FY20 to 5.25% in FY21 as to enhance the sales and speed-up realizations of sales, the company had to incur more expenditure on liaison agents, sales related travelling and employ more professionals, resulting in higher salaries and sales overheads. PAT margins have also gone down and in line with operating margins from 1.89 in FY20 to 1.40 in FY21.

- **Competitive and fragmented nature of industry**

The textile conveyor belting industry in India is highly fragmented, as the company faces stiff competition from the reputed players in the industry especially subsidiaries of global majors like Michelin SA and Continental AG, as well as from several small and mid-sized unorganised players. Additionally, as the company caters 90% of its business to PSU's its pricing flexibility remains constrained.



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Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

The company has projected to generate steady cash accrual over the near medium term of INR 1.54 Cr – INR 2.44 Cr during FY22-FY24 as against near term debt repayment obligations of INR 0.58 Cr – INR 1.5 Cr. Moreover, the company has no debt plan in the near term which imparts further comfort. Further, its bank limits remained fully utilized to the extent of ~98% during the past 12 months ended September 2021 indicating moderate liquidity buffer. The current ratio stood at 2.05 in FY 21 and remained satisfactory.

About the Company

M/S. NRC Industries Limited was incorporated on 28.11.85 under the name of M/s. Eastern Rubbers Private Limited and on 10.07.92, its name was changed to its present one. The unit is a registered SSI unit and is engaged in the manufacturing of transmission belting, conveyor belts and industrial fabric. The affairs of the company are being mainly looked after by its directors, viz., Mr. Tarunjit Singh, Executive Director, Mr. Jasneet Singh, Executive Director, Mr. Tarunjit Singh, Executive Director, Mr. Arvinder Singh, CEO and Mr. Absar Ahmad Khan, Director (Marketing), who are having long experience in this line of activity. They are being assisted by a team of qualified and experienced staff who look after finance, production, and quality control, marketing, and general administration. The company is only one of two manufacturers of conveyor belting in India, which has got the facility of twisting/doubling of nylon yarn, weaving, and dipping of nylon fabric and thus backwardly integrated, to the extent possible. The company has been regd. as MSME. The company has been accredited with ISO 9001 certification.

Financials (Standalone):

(Rs. crore)



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For the year ended*	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	137.51	89.41
EBITDA	8.77	4.70
PAT	2.61	1.28
Total Debt	22.95	24.41
Adjusted Tangible Net worth	27.85	29.24
EBITDA Margin (%)	6.38	5.25
PAT Margin (%)	1.89	1.40
Overall Gearing Ratio (x)	0.82	0.83

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings vide its press release dated July 06, 2021 has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Nil

Rating History for last three years:

S. No	Name of Instrument/ Facilities	Current Rating (Year 2021-2022)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating (02 December 2021)	Date(s) & Rating(s) assigned in 2020-21 (03 September, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	OCC	Long Term	28.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	IVR BBB- / Credit watch with developing implications	-	-
2.	ILC/ BG	Short Term	27.00	IVR A4+	IVR A3 / Credit watch with	-	-



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				(IVR Single A Flour Plus)	developing implications		
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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it based on complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	28.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)
Short Term Non-Fund- LC/ BG	-	-	-	27.00	IVR A4+ (IVR Single A Flour Plus)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/NRC-Industries-lenders-dec21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	OCC	Simple
2.	LC/ BG	Simple

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.