



Press Release

Narsimha Iron and Steel Private Limited

December 21, 2022

Rating

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	14.91 (Increased from 13.59)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Total	14.91 (Rupees Fourteen Crore and Ninety One Lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has considered the consolidated financial profiles of Chintpurni Steel Private Limited (CSPL) and Narsimha Iron and Steel Private Limited (NISPL), collectively referred to as the Chintpurni Group, for arriving at the ratings.

The reaffirmation of the rating assigned to the bank facilities of Chintpurni Group reflects improved overall performance as expected. Further, the rating continues to factor experience of its promoters and management, Group's robust financial profile and integrated operations to support business profile. The rating is, however, constrained by susceptibility of the operating margins to volatility in input costs and cyclicalities in steel and iron industry.

Key Rating Sensitivities

Upward Factor

- Substantial and Sustained increase in scale of operations.
- Significant improvement in debt protection parameters and liquidity position of the company

Downward Factor

- Any decline in operating income and/or profitability leading to deterioration in overall financial risk profile of the company
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company.



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Established Track record and experienced promoters

The promoters of the group have more than a decade of experience in iron and steel industry. CSPL and NISPL will continue to benefit from long experience of the management and well-established relationships with their key suppliers and customers. In addition to this, the ratings consider the timely funding support from the promoters in aiding the execution of capex plans.

Partly Integrated Operations to Support Business Profile

The ratings continue to factor in the partly integrated nature of the groups' plant (CSPL: 1,00,000 tonnes per-annum (TPA) for manufacturing MS Billets through the in-house production of sponge iron plants (CSPL: 1,20,000 TPA; NISPL: 54,000 TPA). Moreover, the presence of a captive power plants (16MW) are likely to bolster the margin profile. The plants are located close to the rich iron ore and coal belt of Jharkhand for easy sourcing of raw materials.

Healthy Financial Profile

Total combined operating income increased by 37.98% to Rs.540.83 crore in FY22 from Rs.391.12 crore in FY21. Operating income improved due to increase in volume of sales and prices of products during FY22. Combined EBITDA margin stood at 5.37% in FY22 (FY21: 5.87%) while combined PAT margin stood at 1.62% in FY22 (FY21: 1.27%). EBITDA margin marginally declined due to steep increase in prices of raw material in FY22. However, the correction in the sales price took some time. Capital Structure of the group continue to remain comfortable Adjusted Overall gearing ratio stood at 0.87x as on March 31, 2022 (0.79x as on March 31, 2021). Adjusted TOL/TNW stood at 1.31x as on March 31, 2022 (1.59x as on March 31, 2021). The interest coverage ratio improved to 3.35x in FY22 (FY21: 2.36x) led by improvement in EBITDA.



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Key Rating Weaknesses

Susceptibility of the operating margins to volatility in input costs

The key raw materials iron ore and coal prices have shown a volatile trend over the past years any adverse movement might impact operating margin. However, the group has been able to pass most of the price instabilities to the customers, as indicated by stable profitability.

Cyclicalities in steel industry

The steel industry is highly cyclical in nature and is correlated with economic development, which directly affects its fortunes. This is the inherent risk of the steel industry.

Analytical Approach: Consolidated (100%)

For arriving at rating, Infomerics has combined financial profiles of Chintpurni Steel Private Limited (CSPL) and Narsimha Iron & Steel Private Limited (NISPL), together referred to as “Chintpurni Group”, based on common management, strong operational linkages and moderate financial linkages between the entities. The extent of consolidation in Chintpurni group is full.

Applicable Criteria:

[Criteria of assigning rating Outlook](#)

[Rating Methodology for manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Rating Criteria on Consolidation of Companies](#)

Liquidity- Adequate

Liquidity appears to be adequate with current ratio of 1.28x as on March 31, 2022 (1.18x as on March 31, 2021). Combined Gross Cash Accruals (GCA) stood at Rs.19.59 crore in FY22. Chintpurni group has sufficient cash accruals as against the long-term debt repayment obligations. Combined free cash and bank balance of the group stood at Rs.0.86 crore as on March 31, 2022. The average working capital utilization of NISPL stood at 78.46% while its average peak utilization stood at 97.13% during the 12 months ended October 2022.



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About the Group:

Chintpurni Steel Private Limited and Narsimha Iron and Steel Private Limited belongs to Chintpurni Group. Chintpurni Group is involved in manufacturing of sponge iron and billets in Jharkhand. Group is promoted and managed by experienced promoters.

About the Company:

NISPL was incorporated in 2008 and is engaged in manufacturing of sponge iron with an installed capacity of 54,000 MTPA. The manufacturing facility of the company is also located at Ramgarh, Jharkhand.

Financials (Consolidated)

	(Rs. crore)	
For the year ended / As On*	31-03-2021	31-03-2022
	(Audited)	(Audited)
Total Operating Income	391.12	540.83
EBITDA	22.95	29.03
PAT	5.02	8.83
Total Debt	74.06	90.22
Adj. Tangible Net Worth	93.29	103.45
Ratios		
EBITDA Margin (%)	5.87	5.37
PAT Margin (%)	1.27	1.62
Adj. Overall Gearing Ratio (x)	0.79	0.87

*As per Infomerics' standards

Financials (Standalone):

	(Rs. crore)	
For the year ended / As On*	31-03-2021	31-03-2022
	(Audited)	(Audited)
Total Operating Income	101.24	148.28
EBITDA	5.69	7.62
PAT	1.40	2.97
Total Debt	15.32	16.00
Adj. Tangible Net Worth	23.86	27.92
Ratios		
EBITDA Margin (%)	5.62	5.14
PAT Margin (%)	1.37	1.99
Adj. Overall Gearing Ratio (x)	0.64	0.57

*As per Infomerics' standards



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Status of non-cooperation with previous CRA: CRISIL and India Ratings vide their press release dated September 9, 2022 and August 10, 2022 respectively continued to classified the case under Issuer Not Cooperating status on account of non-submission of relevant information.

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (September 22, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1	Cash Credit	Long Term	7.50	IVR BBB/ Stable	IVR BBB/ Stable	-	-
2	Term Loan	Long Term	7.41	IVR BBB/ Stable	IVR BBB/ Stable	-	-

Name and Contact Details of the Rating Analyst:

Name: Devang Shah Tel: (079) 40393043 Email: devang.shah@infomerics.com	Name: Amit Bhuwania Tel: (022) 62396023 Email: abhuwania@infomerics.com
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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.



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Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan	-	-	February 2027	7.41	IVR BBB/Stable
Cash Credit	-	-	-	7.50	IVR BBB/Stable

Annexure 2: List of companies considered for consolidated analysis:

The extent of consolidation in Chintpurni Group is 100%

Name of the Company	Ownership	Consolidated Approach
Chintpurni Steel Private Limited	100%	Full Consolidation
Narsimha Iron & Steel Private Limited	100%	Full Consolidation

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-NISPL-dec22.pdf>

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

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.