



Press Release

Narsimha Iron & Steel Private Limited (NISPL)

September 22, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	13.59	IVR BBB / Stable (IVR Triple B with Stable Outlook)	Assigned
Total	13.59 (Thirteen Crore and Fifty-Nine Lacs)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to bank facilities of Narsimha Iron & Steel Private Limited factors Established Track Record and Experienced Promoters, Partly Integrated Operations to Support Business Profile and Healthy Financial Profile. However, rating is constrained owing to Susceptibility of the Operating Margins to Volatility in Input Costs and Cyclicalities in Steel Industry.

Key Rating Sensitivities:

Downward Factors

- A substantial deterioration in Chintpurni group's [includes Chintpurni Steel Private Limited (CSPL) and Narsimha Iron & Steel Private Limited (NISPL)] liquidity profile and interest coverage reducing below 3x would lead to negative rating action.

Upward Factors

- A substantial improvement in Chintpurni group's scale of operations and liquidity profile along with interest coverage sustaining above 4x would lead to positive rating action.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established Track Record and Experienced Promoters



Press Release

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 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: 60,000 tpa). Moreover, the presence of a captive power plants (16MW) are likely to bolster the margin profile. CSPL expects to meet nearly 95% of the power requirements through captive power. The plants are located close to the rich iron ore and coal belt of Jharkhand for easy sourcing of raw materials. The manufacturing capacity of the sponge iron has been increased to 1,20,000 TPA from 90,000 TPA during FY21 in CSPL's plant. Further, the company has set up a coal based power plant from Q4FY21 of 8 MW and is in the process of setting up of a power plant based on waste heat recovery from sponge iron for another 8 MW; the same is likely to be operational in Q3FY23.

Healthy Financial Profile

Group has recorded stable profitability with operating margins ranging between 5.5% and 6.5% over the last three years ended FY21(P). Company's debt metrics remained healthy and stable with overall gearing recorded at 0.76x and debt/EBITDA at 2.74x in FY21 (P). Coverage metrics also remained healthy with interest coverage at 2.67x in FY21(P).

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.

Cyclicality 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.



Press Release

Analytical Approach: Consolidated (100%)

For arriving at rating, Infomerics has taken combined financials of Chintpurni Steel Private Limited and Narsimha Iron & Steel Private Limited, 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:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The Group has adequate liquidity marked by sufficient cash accruals of Rs. 13.89 crore in FY 2021 (P) as against debt obligations of INR9.23Crore. The cash accruals of the company are estimated to increase during 2021-23 against decreasing repayment obligations. The bank limit is ~89% utilized by the company during the last twelve months ended July 2021. Current ratio of the company stood modest at 1.19x as on FY 2021 (P).

About the Company

NISPL was incorporated in 2008 and is engaged in manufacturing of sponge iron with an installed capacity of 60,000 MTPA. The manufacturing facility of the company is also located at Ramgarh, Jharkhand.

Financials (Combined)*:

(In Crore)

For the year ended / As on	31-03-2019	31-03-2020	31-03-2021
	(Combined)	(Combined)	(Combined Provisional)
Total Operating Income	367.20	349.76	388.38
EBITDA	21.51	22.59	25.27
PAT	3.41	4.66	5.24
Total Debt	61.12	62.55	69.33



Press Release

Adjusted Tangible Net-Worth	65.43	85.52	90.83
Ratios			
EBITDA Margin (%)	5.86	6.46	6.51
PAT Margin (%)	0.93	1.33	1.35
Overall Gearing Ratio (x)	0.93	0.73	0.76

* Classification as per Infomerics' standards

Financials (Standalone)*:

(In Crore)

For the year ended / As on	31-03-2019 (Audited)	31-03-2020 (Audited)	31-03-2021 (Provisional)
Total Operating Income	125.32	104.08	101.69
EBITDA	6.51	6.05	7.36
PAT	0.72	1.05	2.06
Total Debt	18.20	14.65	14.58
Adjusted Tangible Net-Worth	15.11	19.13	21.30
Ratios			
EBITDA Margin (%)	5.19	5.81	7.24
PAT Margin (%)	0.58	1.01	2.03
Overall Gearing Ratio (x)	1.20	0.77	0.68

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NISPL has not cooperated with CRISIL ratings and India Ratings and Research Pvt Ltd, which have classified it as non-cooperative vide release dated June 30, 2021 and October 10, 2018, respectively. The reason provided by all these rating agencies is non-furnishing of information for monitoring of ratings.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	6.09	IVR BBB/ Stable Outlook		--	--



Press Release

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2.	Cash Credit	Long Term	7.50	IVR BBB/ Stable Outlook			

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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



Press Release

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Term Loan	-	-	FY24	6.09	IVR BBB/ Stable
Cash Credit				7.50	IVR BBB/ Stable
Total				13.59	

Annexure 2: List of companies considered for consolidated analysis:

The extent of consolidation in Chintpurni Group is 100%.

Name of the Company	Ownership	Consolidation 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/Narsimha-Iron-lenders-22sep21.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.	Term Loan	Simple
2.	Cash Credit	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.