



## Press Release

### Nav Durga Fuel Private Limited

January 30, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	86.64	IVR BBB+/Stable (IVR Triple B plus with Stable Outlook)	Revised from IVR BBB/Stable (IVR Triple B with Stable Outlook)	Simple
Short Term Bank Facilities	8.00	IVR A2 (IVR A Two)	Revised from IVR A3+ (IVR A Three plus)	Simple
<b>Total</b>	<b>94.64</b> <b>(INR Ninety four crore and sixty four lakh only)</b>			

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The revision in the ratings assigned to the bank facilities of Nav Durga Fuel Private Limited (NDFPL) takes into account healthy growth in its scale of operations in FY22 and in 8MFY23 coupled with improvement in its cash accruals and operating cycle. Further, the ratings continue to derive comfort from extensive experience of its promoters in the steel industry, locational advantage, semi-integrated nature of its operations and established brand name of its product. The ratings also note NDFPL's conservative capital structure and comfortable debt coverage metrics. However, these rating strengths are constrained due to susceptibility of its profitability to volatility in prices of its raw materials and finished products, competitive nature of the steel industry and NDFPL's exposure to the cyclicity inherent in the steel industry.

#### Key Rating Sensitivities:

##### Upward factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Sustenance of the capital structure with improvement in the debt protection metrics
- Effective working capital management with improvement in operating cycle and liquidity

##### Downward factors



## Press Release

- Dip in operating income and/or profitability impacting the debt coverage indicators
- Deterioration in the capital structure with overall gearing above 1x and/or interest coverage to below 3x
- Elongation in the operating cycle impacting the liquidity

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Extensive experience of the promoters in the steel industry**

The promoter of NDFPL has around two decades of experience in trading and manufacturing of iron and steel products. While Mr. Nimish Gadodia (Director) is at the helm of affairs of the company & looking after the business development & finance functions, Mr. Deepak Kumar Sharma looks after the production and purchase functions of the company. Both the promoters have more than a decade of experience in trading and manufacturing of iron and steel products.

##### **Locational advantage**

The manufacturing facilities of NDFPL is in Raigarh, Chhattisgarh which is known as steel hub and is in close proximity to various manufacturers of sponge iron, pig iron and iron scrap. Further, sourcing of iron ore from Odisha and coal from nearby coal mines is not an issue. Presence in steel belt reduces the business risk to an extent.

##### **Semi-integrated nature of operations**

The company has manufacturing facility for sponge iron, which along with MS scrap serves as a feedstock for manufacturing of MS billets. The manufactured MS billets are used to produce TMT bars. Further, to support its operations the company also has a 12MW captive power generation capacity. Semi-integrated nature of operations coupled with proximity to the source of raw materials & end user market provides a competitive edge to the company. Further, presence of coal washery also strengthens the business risk profile of the company. Currently, the company is setting up 132/33 KVA Line and Sub Station at a total estimated cost of Rs. 22.12 crore, which is to be funded by term loan of Rs. 16.50 crore and the remaining Rs. 5.62 crore by promoters' contribution. The project is expected to complete by the end of January 2023. The project is expected to enhance power supply and reduce power cost by Rs 0.50 per unit.



## Press Release

### **Established brand**

The company markets its TMT bars under the brand name of, 'SRISHTI'. The company has been able to establish its brand over the course of its operations with a focussed advertising campaign to raise brand awareness and recall. The brand is well established in the markets like UP, Chhattisgarh. 'SRISHTI' brand is not under this company in the state of Odisha.

### **Improvement in operating performance in FY22 and in 8MFY23**

The total operating income of the company registered a y-o-y growth of ~68% in its total operating income from Rs.303.30 crores in FY21 to Rs.510.76 crore in FY22 driven by improvement in sales volume and average sales realization on the back of improved demand for iron & steel products. EBITDA has improved from Rs. 26.71 crore in FY21 to Rs. 36.85 crore in FY22 supported by higher average sales realisation per ton. Despite rise in interest outgo, PAT level has improved on the back of rise in absolute EBITDA in FY22. Consequently, gross cash accruals improved from Rs.23.22 crore in FY21 to Rs.25.44 crore in FY22. In 8MFY23, the company achieved revenue of Rs.376.86 crore (in 8MFY22: ~Rs.298 crore).

### **Satisfactory capital structure with comfortable debt protection metrics**

The capital structure of the company remained comfortable as on March 31,2022, supported by its healthy net worth base, accretion of profit to reserves along with scheduled repayment of term loans. Total indebtedness of the company remained comfortable marked by TOL/TNW at 0.74x as on March 31,2022. The debt protection metrics of the company as indicated by interest coverage ratio though moderated due to rise in interest outgo continued to remain comfortable at 4.38x in FY22 vis-a-vis 4.85x in FY21. Further, Total debt to EBITDA also remains comfortable at 2.92x and Total debt to GCA at 4.23 years as on March 31,2022.

### **Improvement in working capital management**

The operating cycle of the company improved to 88 days in FY22 (against 129 days as on March 31, 2021) driven by reduction in inventory holding period and collection period.

### **Key Rating Weaknesses**

**Profitability susceptible to volatility of raw materials and finished products**



## Press Release

Raw material consumption is the major cost component for NDFPL as it procures iron ore & coal from open market, in absence of captive mines. Since, the raw material is the major cost driver in the metal sector the prices remain volatile thus impacting the profitability of the company, hence susceptible to fluctuation of price across the value chain.

### **Intense competition**

The steel manufacturing businesses is characterised by intense competition across the value chain due to low product differentiation, and consequent intense competition, which limits the pricing flexibility of the players, including NDFPL. High share of low margin TMT bar sales constraints margins to an extent.

### **Cyclical nature of steel industry**

Steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including NDFPL. The steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. Further, the company's operations are vulnerable to any adverse change in the demand-supply dynamics in the real estate sector.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating Outlook](#)

### **Liquidity – Strong**

NDFPL has strong liquidity with healthy cash accruals vis-a-vis its debt repayment obligation during FY23-25. The company has projected to earn gross cash accruals in the range of ~Rs.33.00-Rs.45.00 crore as against its projected debt repayment obligation in the range of ~Rs.6.00 – 8.00 crore during FY22-25. Further, investment in liquid mutual fund of Rs. 10.94 crore as on December 31, 2022 provide further liquidity cushion.

### **About the Company**

Nav Durga Fuel Pvt Ltd (NDFPL), incorporated in February, 2004 was promoted by Mr G.S. Agarwal and the company was taken over by the Gadodia family of Odisha. The company is mainly engaged in manufacturing of sponge iron (90,000MTPA), Billets (79,200MTPA) and TMT bar (90,000MTPA). The company also has a coal washery (30,000MTPA) for



## Press Release

beneficiation of coal and a fly ash brick manufacturing facility (4,000MTPA). The manufacturing facilities of the company are located at Raigarh, Chhattisgarh. To support its manufacturing operations the company also has a 12 MW captive power plans (7MW waste heat recovery-based power plant and a 5MW AFBC power plant).

### Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	303.30	510.76
EBITDA	26.71	36.85
PAT	9.81	11.34
Total Debt	51.04	107.69
Tangible Net worth	254.75	239.38
EBITDA Margin (%)	8.81	7.21
PAT Margin (%)	3.20	2.21
Overall Gearing Ratio (x)	0.20	0.45

\*Classification as per Infomerics' Standard

**Status of non-cooperation with previous CRA:** Vide the last press releases dated June 30, 2022 and May 20, 2022, CRISIL rating and CARE Edge rating, respectively, have maintained the rating to issuer non cooperating category due to non-submission of information by the company.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21		Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long term	55.00	IVR BBB+/Stable	IVR BBB/Stable (Dec 30, 2021)	IVR BBB (Under Credit watch with developing implications) Jan 5, 2021	IVR BBB (Under Credit watch with developing implications) Dec 8, 2020	IVR BBB/ Outlook: Stable Oct. 10, 2019





## Press Release

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2.	SLC	Long term	3.00	IVR BBB+/Stable	IVR BBB/Stable (Dec 30, 2021)	IVR BBB (Under Credit watch with developing implications) Jan 5, 2021	IVR BBB (Under Credit watch with developing implications) Dec 8, 2020	-
3.	Term Loan	Long term	16.50	IVR BBB+/Stable	IVR BBB/Stable (Dec 30, 2021)	-	-	-
4.	Term loan-GECL/CECL	Long term	12.14	IVR BBB+/Stable	IVR BBB/Stable (Dec 30, 2021)	IVR BBB (Under Credit watch with developing implications) Jan 5, 2021	-	-
5.	Letter of credit	Short term	6.00	IVR A2	IVR A3+ (Dec 30, 2021)	IVR A3+ (Under Credit watch with developing implications) Jan 5, 2021	IVRA3+ (Under Credit watch with developing implications) Dec 8, 2020	IVR A3+ Oct. 10, 2019
6.	Bank Guarantee	Short term	2.00	IVR A2	IVR A3+ (Dec 30, 2021)	IVR A3+ (Under Credit watch with developing implications) Jan 5, 2021	IVRA3+ (Under Credit watch with developing implications)	IVR A3+ Oct. 10, 2019



## Press Release

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							implications) Dec 8, 2020	

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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.

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](http://www.infomerics.com)

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## Press Release

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
Cash Credit/SLC	-	-	-	58.00	IVR BBB+/Stable Outlook
Term Loan	-	-	Sep 2027	28.64	IVR BBB+/Stable Outlook
Letter of credit	-	-	-	6.00	IVR A2
Bank Guarantee	-	-	-	2.00	IVR A2

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

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-NavDurga-Fuel-jan23.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](http://www.infomerics.com).