Press Release

Nav Durga Fuel Private Limited
September 27, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities (including proposed facility of Rs. 5.92 Crore)	156.64	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	IVR BBB+/ Stable (IVR Triple B Plus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	8.00	IVR A2 (IVR A Two)	IVR A2 (IVR A Two)	Reaffirmed	Simple
Total	**164.64 (INR One Hundred and Sixty-Four Crore and Sixty-Four Lakh only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Nav Durga Fuel Private Limited (NDFPL) considers stable business performance of the company in FY24 [FY refers to the period from April 1 to March 31] and in 4MFY25 coupled with its satisfactory capital structure and comfortable debt protection metrics along with improvement in working capital management. Further, the ratings also 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. However, these rating strengths are constrained due to susceptibility of its profitability to volatility in prices of its raw materials and finished products, exposure to intense competition, NDFPL's exposure to group companies and exposure to cyclicality in the steel industry. The ratings also consider the project execution and stabilisation risks associated with the ongoing capex.

The outlook continues to remain stable as NDFPL's profits and accruals are likely to remain healthy, going forward, which would aid the company in keeping its credit metrics comfortable.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with further improvement in profitability and gross cash accruals
- Sustenance of the capital structure with improvement in the debt protection metrics

- Reduction in exposure to group companies

Downward Factors

- Sustained moderation in scale of operations with moderation in profitability with dip in EBITDA margin to below 5%
- Any unplanned debt funded capex leading to deterioration in capital structure with moderation in overall gearing to over 1x and/or moderation in interest coverage to below 3x
- Moderation in working capital management impacting the liquidity
- Sharp increase in exposure in group companies

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.

- **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.

- **Stable business performance in FY24 and in 4MFY25**

  Despite moderation in average sales realization, the total operating income of the company remained stable at Rs.631.23 crore in FY24 against Rs.629.15 crore in FY23 supported by improvement in sales volume on the back of increase in demand for iron & steel products. Lower sales realization per MT and fluctuation in raw material prices impacted EBITDA, however profitability at PAT level improved in FY24 supported by an increase in non-operating income. During FY24, the company earned interest income of Rs.7.83 crore and profit from sale of investments of Rs. 2.86 crore. In 4MFY25, the company has earned a revenue of ~Rs. 204 crore.

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

  The capital structure of the company continues to remain comfortable in FY24. The tangible net worth (ATNW) of the company after considering NDFPL's investment and loans & advance in group companies (amounting to ~Rs.114.04 crore) stood at Rs.159.51 crore as on March 31, 2024. The adjusted overall gearing ratio improved supported by reduction in working capital borrowings. Overall gearing stood comfortable at 0.34x as on March 31,2024 (0.62x as on March 31, 2023). Further, Total indebtedness of the company remained comfortable marked by TOL/ATNW at 1.07x as on March 31, 2024. The debt protection metrics of the company as indicated by interest coverage ratio though moderated but continues to remain comfortable at 3.66x in FY24 against 5.52x in FY23. Further, Total debt to EBITDA improved and remains comfortable at 1.42x and Total debt to GCA at 1.82 years as on March 31,2024.

- **Improvement in working capital management**

  The operating cycle of the company improved to 34 days as on March 31, 2024 (against 59 days as on March 31, 2023) driven by improvement in inventory cycle.

Key Rating Weaknesses

- **Project execution and stabilisation risks associated with ongoing capex**

  NDFPL remains exposed to project execution and stabilisation risk as the company is setting up a grain-based distillery plant to produce 100 KLPD ENA (Ethanol) and 1X3 MW captive power plant at Raigarh, Chhattisgarh. Total cost of the project is Rs. 137.88 Crore to be funded by term loan of Rs. 90 crore and the remaining by promoters' contribution/internal accruals.

Till August 16, 2024, the company has incurred Rs. 29.53 crore. The project is expected to be completed by March 2026.

- **Profitability susceptible to volatility of raw materials and finished products**
  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.
- **Exposure to 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.
- **Exposure to group companies**
  NDFPL has made investments and extended loans & advances to its various group companies aggregating to Rs.114.04 crore (~42% of its tangible net worth as on March 31,2024). Moreover, NDFPL has also extended corporate guarantee to Rourkella Sponge LLP (rated: IVR BBB/Stable) for its bank facilities. Exposure to group companies restricts the credit risk profile of the company to an extent. Going forward, any large additional exposure to group entities, which might impact the overall liquidity position, would be a credit negative.
- **Exposure to cyclicality in the steel industry due to domestic and global input prices**
  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 for assigning Rating outlook.

Policy on Default Recognition

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity –Adequate

NDFPL's liquidity position is expected to remain adequate. The company is expected to generate satisfactory cash accruals vis-a-vis its debt repayment obligation during FY25-FY27. The company has projected to earn gross cash accruals in the range of ~Rs.31.00-Rs.52.00 crore as against its projected debt repayment obligation in the range of ~Rs.4.80 – 8 crore during FY25-27. Further, investment in liquid mutual fund of Rs. 17.19 crore as on July 31, 2024 provide further liquidity cushion. The company has capex plans of ~Rs. 65 crore in FY25 and ~Rs. 58 crore in FY26 which is expected to be funded by internal accruals and undrawn sanctioned term loan limits.

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 (90,000 MTPA), Billets (79,200 MTPA) and TMT bar (1,00,000 MTPA). The company also has a coal washery (30,0000 MTPA) for 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*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	629.15	631.23
EBITDA	44.10	38.71
PAT	14.22	15.04
Total Debt	121.12	54.88
Tangible Net Worth	194.86	159.51
EBITDA Margin (%)	7.01	6.13
PAT Margin (%)	2.26	2.34
Overall Gearing Ratio (x)	0.62	0.34
Interest Coverage (x)	5.52	3.66

** Classification as per Infomerics' standards.*

Press Release

Status of non-cooperation with previous CRA: Crisil Ratings has maintained the rating of Nav Durga Fuel Private Limited in the Issuer Non-Cooperating category as the company did not provide the requisite information needed to conduct the rating exercise or did not provide the No Default Statements (NDS) for the last three months as per the Press Release dated Apr 26, 2024.

CareEdge ratings has maintained the rating of Nav Durga Fuel Private Limited in the Issuer Non-Cooperating category as the company had failed to provide information for monitoring of the rating as per the Press Release dated Aug 20, 2024.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Apr 2, 2024	-	Jan 30, 2023	Dec 30, 2021
1.	Term Loan*	Long Term	90.00	IVR BBB+/ Stable	-	-	-	-
2.	GECL*	Long Term	5.72	IVR BBB+/ Stable	IVR BBB+/ Stable	-	IVR BBB+/ Stable	IVR BBB/ Stable
3.	Cash Credit	Long Term	55.00	IVR BBB+/ Stable	IVR BBB+/ Stable	-	IVR BBB+/ Stable	IVR BBB/ Stable
4.	Proposed	Long Term	5.92	IVR BBB+/ Stable	IVR BBB+/ Stable	-	-	IVR BBB/ Stable
5.	Letter of Credit	Short Term	6.00	IVR A2	IVR A2	-	IVR A2	IVR A3+
6.	Bank Guarantee	Short Term	2.00	IVR A2	IVR A2	-	IVR A2	IVR A3+

**Outstanding as on July 31, 2024*

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Mar 2034	90.00	IVR BBB+/ Stable
GECL	-	-	-	Jun 2026	2.10	IVR BBB+/ Stable
GECL Ext.	-	-	-	Nov 2026	3.62	IVR BBB+/ Stable
Cash Credit	-	-	-	-	55.00	IVR BBB+/ Stable
Proposed fund based facility	-	-	-	-	5.92	IVR BBB+/ Stable
Letter of Credit	-	-	-	-	6.00	IVR A2
Bank Guarantee	-	-	-	-	2.00	IVR A2
Total	-	-	-	-	**164.64**	

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-NavDurgaFuel-sep24.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.