



Press Release

Nilkanth Concast Private Limited (NCPL)

October 03 2022

Ratings

Type of Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund based Facility – Term Loan	4.47 (Reduced from 4.64)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Revised	Simple
Long Term Fund based Facility – Cash Credit	43.00 (Increased from 37.71)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Revised	Simple
Long Term Fund based Facility – Working Capital Limit	18.59 (No Change)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Revised	Simple
Long Term Fund Based Facility – GECL	2.69	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Long Term Fund Based Facility – CC (Proposed)	4.04 (Increased from 3.77)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Revised	Simple
Short Term Non- Fund Based Facility – BG	7.21 (Increased from 5.29)	IVR A3+ (IVR A Three Plus)	Revised	Simple
Total	80.00 (Rupees Eighty Crore only)			

Details of facilities are in Annexure 1



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Detailed Rationale

The revision in the rating to the bank facilities of Nilkanth Concast Private Limited (NCPL) factors in overall improvement in financial risk profile of the company. Further the rating continuous to derive comfort from the extensive experience of the promoters in the steel industry, Semi-integrated nature of operation of the group, established distribution network; long standing relationship with dealers/ distributors. The rating is however constrained by cyclicity in the steel industry and highly competitive nature of Industry.

Key Rating Sensitivities:

Upward Factor:

- Substantial and sustained improvement in revenue & profitability leading to overall improvement in debt protection metrics.

Downward Factor:

- Any decline in revenue and/or profitability impacting the debt protection metrics or liquidity.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Extensive Experience of the Promoters in the Steel Industry

The company is being managed by Mr. Chandrasekhar Ayachi who is the managing director of the NCPL, and he looks after the day-to-day business activity of the company. He has four decades of experience in the steel industry. He is well supported by his two sons, Mr. Nakul Ayachi & Mr. Agnivesh Ayachi who look after the marketing of the Nilkanth Group. Collectively, they have rich experience in the industry and were instrumental in developing the company. Having operated in industry since years now, the management has established a strong network with suppliers and customers.

Overall improvement in the financial risk profile:

The revenue has improved significantly by ~50% to Rs. 518.39 Cr in FY22 from Rs. 346.04 Cr in FY21 due to higher realization, increased number of dealers/ distributors and better



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management during FY 22 covid 19. EBITDA margin stood at 4.62% in FY22 as against 6.41% in FY21 on account of increased power and fuel charges. PAT margin improved to 1.03% in FY22 as against 0.57% in FY21. The Interest coverage ratio stood comfortable at 2.47x in FY22 as against 2.09x in FY21. The overall gearing ratio of the Company has remained comfortable at 0.79x in FY22 (FY21: 0.82x). The long-term debt to equity stood at 0.14x in FY21 and 0.17x in FY22. The TOL to TNW stood at 1.32x in FY22 as against 1.23x in FY21.

During 1QFY23 it has achieved revenue of INR 198.00 Crore (1QFY22: INR 93.00 crore)

Semi-integrated nature of operation of the group

The operations of the NCPL are semi-integrated with manufacturing facilities of both intermediate products like sponge iron, billets and end products like TMT bars. In-house manufacturing of sponge iron and billets are part of key raw materials for manufacturing of TMT bars which has resulted in moderate operating efficiency.

Established distribution network; Long relationship with dealers/ distributors

The company has well established dealers/ distributors network. There are more than 150 dealers/ distributors (directly & indirectly associated) in Gujarat and surrounding border area of Maharashtra and Rajasthan and relationship with majority of dealers/ distributors is decade old. Because of this long-standing relation “Nilkanth TMT” is having fair visibility in the market.

B. Key Rating Weaknesses

Cyclicality in the steel industry

The domestic steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including NCPL. Further, the company's operations are vulnerable to any adverse change in the demand-supply dynamics in the real estate sector.

Highly competitive nature of Industry

The company is exposed to risks such as global steel industry performance, local regulations/duties, trade wars, etc. However, the company has been able to establish a strong presence with the quality of its products.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating Outlook](#)

Liquidity - Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals. The gross cash accruals of the company stood at Rs. 12.25 Cr. in FY22 as against expected loan obligations of Rs.3.56 crore in FY22. This indicates adequate degree of liquidity of the company in meeting its obligations. The average working capital utilisation for the past twelve months ended July 2022 remained moderate at ~89%. The liquidity position of the company stands adequate as the current ratio stands at 1.50x in FY22.

About the Company

Nilkanth Concast Private Limited (NCPL) incorporated in 2003 is a Kutch, Gujarat based company. NCPL is engaged in the manufacturing of TMT Bars and sells it under brand name of “Nilkanth TMT” in and around Gujarat region. NCPL has a backward-integrated plant with capabilities to manufacture Sponge Iron with installed capacity of 90,000 MTPA as well as MS billets with installed capacity of 1,80,000 MTPA. These are key raw material for manufacturing of TMT bars. The company has 1,50,000 MTPA of installed capacity to manufacture TMT Bars.

Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	346.04	518.39
EBITDA	22.18	23.93
PAT	1.98	5.32
Total Debt	76.30	78.30



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Tangible Net Worth	92.97	99.49
EBITDA Margin (%)	6.41	4.62
PAT Margin (%)	0.57	1.03
Overall Gearing Ratio (x)	0.82	0.79

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA:

The ratings continue to be in Issuer Not Cooperating category in Brickworks Ratings, CARE Ratings & CRISIL Ratings vide its Press Release dated July 06, 2022, July 29, 2021 and in May 30, 2022 respectively, due to non-submission of information by the company.

Any other information: N.A.

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 (September 03, 2021)	Date(s) & Rating(s) assigned in 2021-22 (August 25, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Facility – Term Loan	Long Term	4.47	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable	-	-
2.	Fund Based Facility – Cash Credit	Long Term	43.00	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable	-	-
3.	Fund Based Facility – Working Capital Limit	Long Term	18.59	IVR BBB/Stable	IVR BBB/Stable	-	-	-
4.	Fund Based Facility - GECL	Long Term	2.69	IVR BBB/Stable	-	-	-	-
5.	Fund Based Facility – CC (Proposed)	Long Term	4.04	IVR BBB/Stable	IVR BBB/Stable	-	-	-
6.	Non-Fund Based Facility – BG	Short Term	7.21	IVR A3+	IVR A3	IVR A3	-	-



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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

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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 Fund Based Facility – Term Loan	-	-	Mar 2024	4.47	IVR BBB/ Stable
Long Term Fund Based Facility – Cash Credit	-	-	-	43.00	IVR BBB/ Stable
Long Term Fund Based Facility – Working Capital Limit	-	-	-	18.59	IVR BBB/ Stable
Long Term Fund Based Facility – GECL				2.69	IVR BBB/ Stable
Long Term Fund Based Facility – CC (Proposed)	-	-	-	4.04	IVR BBB/ Stable
Short Term Non-Fund Based Facility – BG	-	-	-	7.21	IVR A3+

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Nilkanth-Concast-oct22.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.