



Press Release

Nilkanth Concast Private Limited (NCPL)

September 03, 2021

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities – Term Loans	4.64	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Long Term Bank Facilities – Cash Credit	20.07	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed
Long Term Bank Facilities – Working Capital Limits	36.23	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Long Term Bank Facilities (Proposed)	3.77	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Short Term Bank Facilities	5.29	IVR A3 (IVR A Three)	Reaffirmed
Total	70.00 (Seventy Crore)		

Details of facilities are in Annexure 1

Detailed Rationale

The reaffirmation and assignment of rating to the bank facilities of Nilkanth Concast Private Limited (NCPL) continuous to derive comfort from the Extensive Experience of the Promoters in the Steel Industry, Comfortable debt protection metrics, and Semi-integrated nature of operation of the group. The rating is however constrained by Cyclical nature 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:



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- 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 looks 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.

Comfortable debt protection metrics

The overall gearing and other debt coverage indicators of the company are improving. The overall gearing ratio of the Company has remained comfortable at 1.06x in FY20. The long-term debt to equity stood at 0.26x in FY20. The Interest coverage ratio stood at 2.17x in FY20 and 2.24x in FY19.

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, wires, 3 structural, coils, tubes. In-house manufacturing of sponge iron and billets are part of key raw material for manufacturing of TMT bars has resulted in moderate operating efficiency.

Key Rating Weaknesses

Cyclical 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. 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.



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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

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity - Adequate

The liquidity of the company is expected to remain adequate in the near to medium term with sufficient accruals and absence of any significant term debt repayment. The net cash accruals of the company expected to be around Rs. 10.10 Cr. in FY21 as against expected loan obligations of Rs.1.14 crore in FY21. This indicates adequate degree of liquidity of the company in meeting its obligations. The average working capital utilisation for the past twelve months ended February, 2021 remained low at ~56% indicating a sufficient liquidity cushion.

About the Company

Nilkanth Concast Private Limited (NCPL) incorporated in 2003 is 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.



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Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	518.74	357.22
EBITDA	26.74	21.86
PAT	2.47	1.87
Total Debt	63.59	83.72
Tangible Net Worth	76.94	78.82
EBITDA Margin (%)	5.16	6.12
PAT Margin (%)	0.48	0.52
Overall Gearing Ratio (x)	0.83	1.06

* Classification as per Infomerics' standards

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

Issuer Not Cooperating from Brickworks Ratings & CARE Ratings vide its Press Release dated May 03, 2021 & July 29, 2021 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 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	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	4.64	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
2.	Fund Based Facility – Cash Credit	Long Term	20.07	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-



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3.	Fund Based Facility – Cash Credit	Long Term	17.64	IVR BBB-/ Stable	-	-	-
4.	Fund Based Facility – Working Capital Limit	Long Term	18.59	IVR BBB-/ Stable	-	-	-
5.	Fund Based Facility – Proposed	Long Term	3.77	IVR BBB-/ Stable	-	-	-
6.	Non-Fund Based Facility – BG	Short Term	5.29	IVR A3	IVR A3	-	-

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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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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
Long Term Fund Based Facility – Term Loan	-	-	February 2026	4.64	IVR BBB-/ Stable
Long Term Fund Based Facility – Cash Credit	-	-	-	20.07	IVR BBB-/ Stable
Long Term Fund Based Facility – Cash Credit	-	-	-	17.64	IVR BBB-/ Stable
Long Term Fund Based Facility – Working Capital Limit	-	-	-	18.59	IVR BBB-/ Stable
Long Term Fund Based Facility – Proposed	-	-	-	3.77	IVR BBB-/ Stable
Short Term Non-Fund Based Facility – BG	-	-	-	5.29	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/Nilkanth-Concast-3sept21.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 Loans	Simple
2.	Working capital (CC)	Simple
3.	Bank Guarantee	Simple



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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.