



Press Release

N.N. Ispat Private Limited

April 12, 2022

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	72.22	IVR BBB+ / Positive Outlook (IVR Triple B Plus with Positive Outlook)	Revised	Simple
Short Term Bank Facilities	40.00	IVR A2 (IVR A Two)	Revised	Simple
Total	112.22 (One hundred twelve crore and twenty two lakh)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of N.N. Ispat Private Limited (NNIPL) takes into account healthy improvement in the revenue and profitability of the AIC Group in FY21 and 9MFY22. Further, the ratings continue to derive comfort from the extensive experience of the Group's promoters in iron and steel industry, semi-integrated nature of operations and strategic location of plant. The ratings also positively factor in AIC group's satisfactory financial risk profile marked by satisfactory gearing and debt protection metrics. However, these rating strengths remain constrained due to project execution and stabilisation risks associated with ongoing capex and susceptibility of its profitability to volatility in raw material and finished goods prices. The ratings also continue to consider high competition and cyclicalities in the steel industry. The outlook of the company remains positive in view of expected improvement in the financial performance of the AIC group in the near term.

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
- Improvement in the capital structure with improvement in TOL/TNW and improvement in debt protection metrics



Press Release

- Effective working capital management with improvement in operating cycle and liquidity

Downward Factors

- Decline in operating income and/or profitability impacting the debt coverage indicators,
- Higher than-envisaged debt-funded capex and/or delays in implementation and stabilisation of projects
- Moderation in the capital structure with overall gearing more than 2x
- Elongation in the operating cycle impacting the liquidity and higher average utilisation in bank borrowings to more than 90% on a sustained basis

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced and resourceful promoters**

The promoters of the AIC group, the Adukia family of West Bengal have more than two decades of experience in the iron and steel industry. The overall affairs of the AIC group are being managed by Mr. Dinesh Adukia along with his brothers. The promoters are resourceful and have also supported the group companies by infusing unsecured loans as and when required to support the business operations.

- **Semi-integrated nature of operations of the group and strategic location of plants**

The manufacturing facilities of the AIC group are located in purulia and burdwan districts of West Bengal which is in close proximity to various steel plants, nearby coal fields and various producers/dealers of its main raw materials. This results in easy availability of quality raw materials and savings in transportation costs. Moreover, RISPL is a semi- integrated steel player engaged in manufacturing of sponge iron, silico manganese, billets and thermo mechanically treated (TMT) bars with a captive power plant. However, AIPL and NNIP are engaged in manufacturing of MS billets, TMT bars and other rolled steel products and source a portion of their raw materials requirement such as Sponge Iron, Silico manganese from RISPL. Currently, the group is also in the process of setting up sponge iron and power plant in AIPL to further backward integrate its operations. Accordingly, vertical integration in



Press Release

operations coupled with proximity to the source of raw materials & end user market provides a competitive edge to the AIC Group.

- **Improvement in revenue and profitability in FY21 and 9MFY22**

Total operating income of AIC group has increased at a CAGR of ~22% over FY19-FY21 driven by expansion of manufacturing facility for sponge iron, billet, silico manganese, TMT and other rolled steel products. Besides, the group has been able to scale up operations due to stabilisation and increase in capacity utilisation across all its product segment. The operating profitability witnessed an improvement with EBITDA margin at 7.81% during FY21 as compared to 6.02% in FY20 supported by backward integration measures and economies of scale benefits. During 9MFY22(provisional), the group achieved revenue of ~Rs. 1416 crore.

- **Satisfactory financial risk profile marked by satisfactory gearing and debt protection metrics**

The AIC group on a combined basis, has satisfactory financial risk profile. The overall gearing of AIC group remained moderate at 1.97x as on March 31, 2021 as against 0.76x as on March 31, 2019. Moderation in overall gearing was mainly due to debt funded capex over FY19-FY21 towards expansion of manufacturing facility for sponge iron, silico manganese, billets, TMT, captive power plant and other rolled steel products. The debt protection metrics as indicated by interest coverage ratio and Total debt/GCA stood comfortable at 4.78x and 4.82 years respectively in FY21. Total indebtedness of the group as reflected by TOL/TNW stood comfortable at 2.63x as on March 31, 2021. Infomerics expects, the capital structure of the group expected to remain moderate in the near term due to availment of debt to fund the capex.

Key Rating Weakness:

- **Vulnerable to project execution and stabilisation risks associated with ongoing capex**

The group is undertaking capex towards expansion and capacity enhancement. It is setting up sponge iron plant (105000 MTPA) and Power plant (22.5 MW) in AIPL. This project is expected to be completed by September 2022. Moreover, the group has already successfully commissioned and started the commercial production of sponge iron (120000 MTPA) and power plant (8.5 MW) in January 2022 in RISPL.



Press Release

- **Volatility in the prices of raw materials and finished goods**

Major raw-materials required for the group are iron-ore and coal for manufacturing of sponge iron. Raw-material accounted for ~75-80% of total cost of production in the last three fiscals. The group lacks backward integration for its basic raw-materials (iron ore and coal) and has to procure the maximum requirement from open market. Since the raw material is the major cost driver and the prices of which are volatile in nature, the profitability of the group is susceptible to fluctuation in raw-material prices. On the other hand, the finished foods are also volatile and dependent upon economic cycles and global demand supply scenarios.

- **High competition and cyclicity in the steel industry**

The group faces stiff competition from not only established players, but also from the unorganised sector. Besides, 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. However, the outlook for the steel industry in the short to medium term appears to be good with expected robust demand in the domestic markets driven by various government initiatives and expected improvement in the infrastructure and real estate sector. However, any adverse fluctuations in the prices of finished products or any downturn in the steel sector may impact the AIC group adversely.

Analytical Approach: Consolidated

For arriving at the ratings, Infomerics has considered the combined financials of three companies constituting the AIC Group considering the same management and strong operational and financial linkages. The list of companies is given in **Annexure 2**.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity – Adequate

The liquidity position of the AIC group is expected to remain satisfactory in the near to medium term marked by adequate cushion in expected accruals of Rs.70-98 crore as against its repayment obligations of Rs. 19-36 crore during FY22-24. Moreover, the average



Press Release

working capital limit utilisation was ~65% during the past eleven months ended November 2021 indicating moderate liquidity buffer.

About the Company

NNIPL was incorporated in 2004. In November 2008, the company was taken over by Adukia group of West bengal. The company is presently engaged in manufacturing of MS Billets and TMT bars with installed capacity of 200000 MTPA and 236000 MTPA respectively. Its manufacturing facility is located at Burdwan district of West Bengal.

About the Group

The promoters of AIC Group have been in the iron and steel business for more than 20 years. The AIC group is engaged in manufacturing of steel products through various companies under its folds. The companies operating under AIC Group are AIC Iron Industries Private Ltd, NN Ispat Private Limited and RAIC Integrated Sponge & Power Pvt Ltd, which are all controlled by the similar management and have common control.

Financials (Combined):

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Combined	Combined
Total Operating Income	932.26	1125.84
EBITDA	56.16	87.92
PAT	21.03	34.33
Total Debt	192.36	301.08
Tangible Net worth	194.10	153.07
EBITDA Margin (%)	6.02	7.81
PAT Margin (%)	2.25	3.04
Overall Gearing Ratio (x)	0.99	1.97

*As per Infomerics' Standard

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	513.87	571.59
EBITDA	22.28	27.83
PAT	8.42	11.15
Total Debt	44.01	55.62
Tangible Net worth	59.61	55.76
EBITDA Margin (%)	4.34	4.87
PAT Margin (%)	1.64	1.95



Press Release

For the year ended* / As On	31-03-2020	31-03-2021
Overall Gearing Ratio (x)	0.74	1.00

*As per Infomerics' Standard

Status of non-cooperation with previous CRA: Care Ratings has moved the rating of N N Ispat Private Limited into the Issuer Non-Cooperating category as the entity did not cooperate in the rating procedure despite repeated follow ups as per the Press Release dated January 27, 2021.

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.	Term Loan/GECL/Covid	Long Term	12.22	IVR BBB+ / Positive Outlook	-	IVR BBB / Stable Outlook (Jan 13, 2021)	-
2.	Cash Credit	Long Term	60.00	IVR BBB+ / Positive Outlook	-	IVR BBB / Stable Outlook (Jan 13, 2021)	-
3.	Non Fund based	Short Term	40.00	IVR A2	-	IVR A3+ (Jan 13, 2021)	-

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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).



Press Release

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

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we 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
Term Loan/GECL/Covid	-	-	Dec 2027	12.22	IVR BBB+ / Positive Outlook
Cash Credit	-	-	-	60.00	IVR BBB+ / Positive Outlook
Non Fund based			-	40.00	IVR A2

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Consolidation Approach
AIC Iron Industries Private Ltd (AIPL)	Full consolidation
NN Ispat Private Limited (NNIPL)	Full consolidation
RAIC Integrated Sponge & Power Pvt Ltd (RISPPL)	Full consolidation



Press Release

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Lenders-NN-Ispat-April2022.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.

