

## Tulsyan NEC Limited

October 14, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	830.82	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short-term bank facilities	142.16	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total bank facilities</b>	<b>972.98</b> <b>(₹ Nine hundred seventy-two crore and ninety-eight lakh only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had, vide its press release dated July 23, 2021, placed the ratings of Tulsyan NEC Limited (TNECL) under the 'issuer non-cooperating' category, as TNECL had failed to provide information for monitoring of the rating as agreed to in its rating agreement. TNECL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated June 12, 2022, June 22, 2022, June 28, 2022 and October 6, 2022. In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating on the basis of the best available information, which, however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

### Detailed description of the key rating drivers

At the time of last rating on July 23, 2021, the following were the rating weaknesses (updated for the stock exchange filings by the company):

#### Key rating weaknesses

**Ongoing delays in debt servicing:** The ratings continue to take into account the ongoing delays in the debt servicing by the company due to poor liquidity position. Based on the stock exchange filings by TNECL, CARE Ratings understands that the company is in discussions with its lenders regarding one-time settlement (OTS) of the defaulted loan amounts. In its stock exchange filings, TNECL has mentioned that, its Board of Directors have approved and accepted the terms and conditions of the OTS proposal received from certain lenders.

**Weak financial and operational risk profile:** Though the total operating income (TOI) of the company grew by 32.8% from ₹566 crore in FY21 (refers to the period April 1 to March 31) to ₹752 crore in FY22, the PBIDT margins have declined from 3.81% in FY21 to 1.95% in FY22 due to high raw material costs, which were around 75% of TOI in FY22 as against around 70% of TOI in FY21. During Q1FY23, the company has registered revenue of ₹279 crore with PBIDT margin of 5.60%.

#### Key rating strengths

**Experienced management team with reasonable track record of operations:** Over the years, under the leadership of Lalit Kumar Tulsyan and Sanjay Tulsyan, the company has grown into one of the major producers of secondary steel products like TMT Bars in the southern region. The management team has over three decades of experience in the steel business.

**Analytical approach:** Standalone

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

\*Issuer did not cooperate; Based on best available information

## Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)  
[Policy on default recognition](#)  
[Financial Ratios – Non financial Sector](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Credit Watch](#)  
[Short Term Instruments](#)  
[Manufacturing Companies](#)  
[Steel](#)

## About the company

Incorporated in the year 1947 under the name National Engineering Company Limited (NECL), the company was taken over by the Tulsyan group of companies in 1986. TNEC is into manufacturing of TMT bars and billets, high-density poly ethelene (HDPE)/ poly propylene (PP) sacks and flexible intermediate bulk containers (FIBC) in the region. TNEC approached the bankers for Corporate Debt Restructuring (CDR) in May 2014. However, continued unfavourable industry scenario led to the company's liquidity position remaining stretched, resulting in delays.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	June 30, 2022 (P)
Total operating income	566.51	752.36	279.12
PBILDT	21.61	14.70	15.63
PAT <sup>^</sup>	-9.22	789.94	8.63
Overall gearing (times)	-2.46	3.75	NA
Interest coverage (times)	0.11	2.94	16.28

A: Audited, P: Provisional, NA: Not available, <sup>^</sup>Includes exception item of ₹804.38 crore in FY22 (FY21: ₹196.93 crore) pertaining to waiver of part of interest and principal amounts payable to the lenders.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit	-	-	-	-	215.00	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Term loan	-	-	-	31/03/2022	615.82	CARE D; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	-	142.16	CARE D; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term loan	LT	615.82	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (23-Jul-21)	1)CARE D; ISSUER NOT COOPERATING* (28-Jul-20)	1)CARE D; ISSUER NOT COOPERATING* (02-May-19)
2	Non-fund-based - ST-Letter of credit	ST	142.16	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (23-Jul-21)	1)CARE D; ISSUER NOT COOPERATING* (28-Jul-20)	1)CARE D; ISSUER NOT COOPERATING* (02-May-19)
3	Fund-based - LT-Cash credit	LT	215.00	CARE D; ISSUER NOT COOPERATING*	-	1)CARE D; ISSUER NOT COOPERATING* (23-Jul-21)	1)CARE D; ISSUER NOT COOPERATING* (28-Jul-20)	1)CARE D; ISSUER NOT COOPERATING* (02-May-19)

LT/ST: Long term/Short term; \*Issuer did not cooperate; Based on best available information.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT-Term loan	Simple
3	Non-fund-based - ST-Letter of credit	Simple

**Annexure-5: Bank lender details for this company**

To view the lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About us:

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