

## Noble Ispat and Energies Limited (Revised)

January 17, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	82.21 (Enhanced from 49.45)	CARE B+; Stable	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable)

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in ratings assigned to the bank facilities of Noble Ispat and Energies Limited (NIEL) takes into account lower than envisaged ramp up in operations. As against earlier timelines of commencing the operations from Q3FY22 end, company could commence operations from Q1FY23. Further, as on 8MFY23 out of available capacities of sponge iron, billet and TMT, only the sponge iron segment is functional. Delay in commencement of operations would exert liquidity pressure on the company as witnessed from near full utilization of working capital limits. It is pertinent for the company to commence the operations of remaining assets and to tie up additional working capital limits as the company's repayments have also begun. The rating is also tempered by exposure of margins to volatility in raw material prices, highly fragmented and competitive business segment due to presence of numerous players and cyclicity associated with the steel industry. CARE has considered experience of promoters in operating sponge iron plant but ability of them to operate the plant at envisaged levels over time remains to be seen. The rating derives strength by synergy benefit for promoters on acquisition of NIEL as it has led to integrated nature of operations, favourable location of the plant and stable outlook of steel industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factor

- Increase in scale of operations above 300 crores and maintaining PBILDT margins above 6% on a sustained basis

#### Negative factors

- Delay in commencement of operations of all segments at envisaged level beyond H1FY24

**Analytical approach:** CARE has taken combined approach of Noble Ispat and Energies Limited & SLD Steels Private Limited as the operations of both companies are integrated, owned by same promoters and management plans to merge the companies going forward.

### Key weaknesses

#### Delay in commencement of operations

After acquisition of NIEL's plant, the promoters were planning to start the operations by Q3FY22 but could start only by Q1FY24. Further as on 8MFY23, only the segment pertaining to sponge iron has been started as NIEL requires additional working capital limits. NIEL is contemplating increase in working capital limits from so that there will be no constraints in running the plant on an optimum capacity to meet the increased demand. As on 8MFY23, the company has earned revenue of Rs 55 crores.

### Exposure of margins to volatility in raw material prices

<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

The price of steel scrap remains volatile in nature and is governed by international metal prices and quality of the scrap. The raw material cost constitutes more than half of the cost of sales, thus exposing the company to the volatility in the prices of raw materials which has a bearing on its profitability margins. Though the prices of finished goods broadly move in tandem with input prices, there may be a time lag which exposes the company to raw material price volatility risk

### **Presence in Highly fragmented and competitive industry**

The steel industry is highly fragmented and competitive due to the presence of large number of organized and unorganized players. Also, the steel industry is sensitive to the shifting business cycles, including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market.

### **Key Rating Strengths**

#### **Synergy benefits for promoters on acquisition of NIEL**

The plant of NIEL (which operates sponge iron and rolling mill) and SLD (which operates billet manufacturing) are situated in adjacent to each other and the operations have been integrated. Sponge iron produced at NIEL will be converted to billet at SLD's plant and then will be converted into TMT at NIEL's rolling mill. In medium term, management plans to merge the two entities.

#### **Favourable location of the plants**

Plants of NIEL and SLD steels are adjacent to each other and are situated in Bellary region of Karnataka which is iron ore producing district. There are very few integrated steel plants in the region as most of the plants are in and around Bengaluru's 100-150 km radius which helps them to reduce the cost of transportation.

#### **Liquidity: Stretched**

Company has sanctioned working capital limits of Rs. 18 crore from bank where the utilization is ~95%. Going forward, in order to support the operations, the company is seeking enhancement in limit to Rs 55 crores. It is pertinent for company to commence operations of all plants and efficiently manage plant utilization levels as the repayments have already begun.

### **Applicable criteria**

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Steel](#)

### **About the company**

NIEL was a sick unit which was not operational since 2010. NIEL's asset base include sponge iron plant of 200 TPD capacity and rolling mill of 300 TPD capacity. Company was referred under NCLT and is acquired by promoters of SLD Steels Private vide NCLT order number C.P.(IB) No.137/BB/2019 & I.A No.454 of 2020. Till date only sponge iron segment is operational at ~50% of the capacity. Going forward, the combined entity will deal in sponge iron, billets and TMT.

<b>Brief Financials (₹ crore)</b>	<b>March 31, 2021 (A)</b>	<b>March 31, 2022 (A)</b>	<b>November 30, 2022 (UA)</b>
Total operating income	0.00	0.02	52.22
PBILDT	0.00	-0.42	6.19
PAT	0.00	-3.37	0.93
Overall gearing (times)	1.13	0.79	NA
Interest coverage (times)	0.00	NM	1.72

A: Audited| UA: Unaudited| NA: Not Available| NM: Not Meaningful

**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 the covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of the various instruments rated:** Annexure-4

**Lender details:** Annexure-5

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

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	53.00	CARE B+; Stable
Fund-based - LT-Term Loan	-	-	-	31-08-2028	29.21	CARE B+; Stable

#### 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	29.21	CARE B+; Stable	-	1)CARE BB-; Stable (27-Oct-21)	-	-
2	Fund-based - LT-Cash Credit	LT	53.00	CARE B+; Stable	-	1)CARE BB-; Stable (27-Oct-21)	-	-

\*Long term.

#### Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
<b>A. Financial covenants</b>	-
<b>B. Non-financial covenants</b>	
I. Unsecured Loans	Unsecured loans from promoters to be subordinated to term loan from the lender till the tenure.
II. Merger of NIEL and SLD Steels Private Limited	Merger of corporate debtor (M/s Noble Ispat and Energies Limited) resolution applicant (M/s SLD Steels Private limited) as per NCLT order

#### Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

### Annexure-5: Lender details

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

**Note on the 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](mailto:care@careedge.in) for any clarifications.

### Contact us

#### Media contact

Name: Mradul Mishra

Phone: +91-22-6754 3596

E-mail: [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)

#### Analyst contact

Name: Himanshu Jain

Phone: 8123793395

E-mail: [himanshu.jain@careedge.in](mailto:himanshu.jain@careedge.in)

#### Relationship contact

Name: Pradeep Kumar V

Phone: +91-98407 54521

E-mail: [pradeep.kumar@careedge.in](mailto:pradeep.kumar@careedge.in)

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

#### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information, please visit [www.careedge.in](http://www.careedge.in)**