

NCL Industries Limited

August 23, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Fixed Deposit	65.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE had, vide its press release dated August 23, 2022, placed the rating(s) of NCL Industries Limited under 'issuer noncooperating' category as the company failed to provide information for monitoring of the rating. NCL Industries Limited continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls from May 16, 2023, to July 29, 2023. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's 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)

Analytical approach: Standalone

Detailed description of the key rating drivers:

At the time of last rating on August 23, 2022, the following were the rating strengths and weaknesses (updated for the information available from BSE Filings)

Key weaknesses

Moderate capital structure:

NCL's capital structure has improved significantly due to increase in total net worth. The overall gearing stood at 0.40x in FY21 and Total debt / GCA stood at 3.57x. In FY22 the overall gearing was stable at 0.43x. The total debt to GCA stood at 2.48x in FY23. Further, In FY23 the gearing remained at 0.38x due to slight reduction in debt obligation, also, the Net worth has increased slightly by 4% in FY23.

Decline in revenue of hydel power units: The operational performance and revenue of the power plants has further declined during FY17 due to bad monsoon. However, comfort is derived from considering that the contribution from the same towards revenue is minimal.

Exposure to risk related to cyclical in the cement industry:

The company remains exposed to pricing pressure due to supply demand mismatches in southern India.

Key strengths

Experienced promoters and long track record of operations:

The Company has more than three decade-long entrepreneurial experience of its promoters across diversified lines of businesses. Established presence in AP/Telangana market: NCL benefits from its established dealer network, and access to captive limestone mines assuring uninterrupted supply of limestone.

Diversified revenue stream:

The cement segment has been the major contributor to the total revenue during the last three years ending March 2023, followed by boards segment, Ready Mix Concrete (RMC), Prefab and energy. Cement constituted 84.74% to total sales during FY23 (86.18% during FY22). Further during FY21, cement constitutes 86.9% of the total sales.

Improvement in revenue and satisfactory operating margins during FY22-23:

During FY22 TOI stood at Rs. 1644.54 crore and in FY23 TOI marked at Rs 1628.89 crore. The PBILTD margins declined from 13.29% in FY22 to 10.29% in FY23. The PAT margin stood 2.82% owing to increase in cost of sales and increase in raw material prices.

Location advantage and adequate availability of raw material:

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The Company enjoys location advantage in terms of captive limestone mines with high quality reserves located adjacent to the NCL cement unit in Mattapally.

Satisfactory operating cycle:

Operating cycle of NCL reduced in FY23 over FY22 on account of improved inventory days and collection days. The average cc utilization was comfortable at around 55% for the 12 months ended in May 2017.

Improved operational performance for cement and boards:

The Company's capacity utilization for cement has witnessed improvement over the three-year period ending FY22 since the company is exploring markets in Tamil Nadu and Andhra Pradesh and Kerala coupled with increased demand.

Successful completion of project:

The Company also completed expansion of clinker and cements production and commenced operations from March 7, 2018. Capacity has increased from 1.6 million Tonnes Per Annum MTPA to 2.6 MTPA for clinker and 1.95 MTPA to 2.7 MTPA for cement.

Improving demand prospects:

The company's demand prospects are robust over the near to medium term based on various infrastructural activities by the Government in Andhra Pradesh and Telangana.

Improvement in Revenue and satisfactory operating margins during Q1FY24:

The Total Operating Income (TOI) for the first quarter of FY24 exhibited a year-on-year growth of 12.76% attributed to heightened sales volumes driven by enhanced demand prospects for cement. For the fiscal year FY23, the TOI remained stable at Rs. 1628 crore, while in FY22, it amounted to Rs. 1644 crore, influenced by the rising costs of sales and raw materials. Notably, the PBILDT margins saw an increase from 9.26% in Q1FY23 to 15.3% in Q1FY24.

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](#)

[Cement](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Commodities	Construction Materials	Cement & Cement Products	Cement & Cement Products

NCL Industries Limited (NCL), previously known as Nagarjuna Cements Limited, was founded on September 10, 1979. It is a part of the NCL group, a well-established industrial conglomerate in the regions of Andhra Pradesh and Telangana, with a significant presence in the building and construction materials sector. NCL's core operations encompass the manufacturing of cement, cement particle boards, and Ready-Mix Concrete.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24
Total operating income	1,644.54	1,628.89	440.53
PBILDT	218.55	167.64	67.42
PAT	98.14	46.00	31.08
Overall gearing (times)	0.43	0.38	-
Interest coverage (times)	9.03	6.40	14.05

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Nil

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

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
Fixed Deposit		-	-	-	65.00	CARE BB+; Stable; 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 2023-2024	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
1	Fixed Deposit	LT	65.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (23-Aug-22) 2)CARE BB+; Stable; ISSUER NOT COOPERATING* (22-Jun-22)	1)CARE BB+ (FD); Stable; ISSUER NOT COOPERATING* (24-Aug-21)	1)CARE BB+ (FD); Stable; ISSUER NOT COOPERATING* (01-Jul-20)

*Issuer did not cooperate; based on best available information.

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fixed Deposit	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 for any clarifications.

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About us:

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