Nilachal Carbo Metalicks Private Limited

September 01, 2023

Facilities	Amount (₹ crore)	Ratings[1]	Rating Action
Long Term Bank Facilities	16.69 (Enhanced from 9.33)	CARE BB+; Stable	Reaffirmed
Short Term Bank Facilities	8.75	CARE A4+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the Bank Facilities of Nilachal Carbo Metalicks Private Limited (NCMPL) continue to remain constrained by its small scale of operations, volatility in the prices of raw material and finished goods, customer concentration risk and cyclical nature of the steel industry. However, the aforesaid constraints are partially offset by experienced promoters, strategic location of the plant, improvement in scale of operations in FY23 (refers to the period April 01 to March 31) albeit moderation in profitability, satisfactory capital structure and improvement in debt coverage indicators.

Rating sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustenance in scale of operations beyond Rs.300 crore and improvement in PBILDT margin at 9%.
- Overall gearing below 0.5x and total debt to gross cash accruals reducing below 1.5x.
- Sustenance of operating cycle and improvement in liquidity profile.

Negative Factors - Factors that could lead to negative rating action/downgrade:

- Decline in scale of operations and moderation in PBILDT margin below 5%.
- Deterioration in overall gearing and TD/GCA above 1.5x and 5x respectively.

Analytical approach: Standalone

Outlook: Stable outlook reflects that the entity is likely to benefit from the experience of the promoters and maintain its profitability amid fluctuating raw material cost.

Detailed description of the key rating drivers:

Key Rating Weaknesses

Small scale of operations

NCMPL is a relatively small player with an installed capacity of 75,000 MTPA. While the company has been leasing capacity from other players however continues to remain small with total capacity of 1,12,600 MTPA. With its small size, the company does not get benefit from economies of scale and during financial stress it may impact the business as compared to large players in same industry. The capacity utilization (CU) level for own unit reduced to 61% (from 74% in FY22) in FY23 as higher efficiency units are taken on lease by the company.

Volatility in the prices of raw material and finished goods

Coking coal is the major raw material cost for NCMPL (constituting around 92% of cost of sales in FY23). Since the raw material is a major cost driver and the prices of which are volatile in nature, the profitability of the company is susceptible to fluctuation in raw material prices. Given that any sharp decline in raw-material prices needs to be immediately passed on to consumers whereas any sharp increase in prices is passed to the consumers with a certain time lag, the profitability of the company is susceptible to fluctuation in raw-material prices.

Customer concentration risk

Majority of the revenue for the company is derived from few players (largely ferro alloy producers). In FY23, NCMPL derived around 67% (83% in FY22 from) of its revenue from top 4 customers which indicates customer concentration risk. However, long standing relationship with these clients over the years mitigates the risk to some extent.

Cyclical nature of steel industry

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

NCMPL is in the business of manufacturing of Low Ash Metallurgical (LAM) coke which is required in the manufacturing of steel and in the ferro alloy industries so there is a high degree of dependence on the fortunes of the steel industry and related industries, which is cyclical in nature.

Key Rating Strengths

Experience of the promoters

NCMPL commenced its operation in 2003 under Dr. B D Chatterjee along with Mr. Bibhudatta Panda. Subsequently the entire stake was bought by Mr. Panda in 2012. Mr. Panda started his career as a trader of imported minerals and coal before venturing into LAM coke manufacturing and is having 28 years of overall experience. The day-to-day operation of the company is managed by Mr. Panda with the help of other experienced professionals.

Strategic location of the plant

NCMPL procures coking coal from local suppliers who in turn import coking coal from Australia and other countries and its manufacturing unit is located at Baramana (Dist. Jajpur) Odisha which is around 100 km away from Paradip port which facilitates NCMPL to readily transport coal to its plant location, thereby enabling it to save on its inward freight cost. Moreover, the manufacturing facility is also strategically located at a distance of 60-130 kms from various ferro alloy plants which require metallurgical coke as raw material, thereby enabling it to save on its freight outward cost.

Improvement in scale of operations in FY23 albiet moderation in profitability

The total operating income of the company improved to Rs.266.21 crore in FY23 (Prov.) as compared with Rs.199.19 crore in FY22 on account of increase in volume sold and increase in sales realisation. The prices of the main raw material i.e., coking coal remained volatile and also witnessed a sharp increase, thereby limited the gross margins for the company. Hence the overall PBILDT margin moderated to 4.53% in FY23 from 8.82% in FY22. The company earned PAT of Rs.6.17 crore in FY23 as compared with Rs.12.60 crore in FY22.

Satisfactory capital structure and debt coverage indicators

The overall gearing remained stable and stood below unity at 0.90x as on March 31, 2023, as against 1.14x as on March 31, 2022. Going forward in absence of any debt funded capex plans and steady profitability the overall gearing is expected to improve. However, on account of weaker profitability the interest coverage moderate from 5.22x in FY22 to 3.27x in FY23. Total Debt/GCA also slightly moderated from 2.47x as on March 31, 2022, to 3.70x as on March 31, 2023.

Liquidity: Adequate

Liquidity is marked by gross cash accruals of Rs.9.72 crore vis-à-vis debt repayment obligations of Rs.2.87 crore as on March 31, 2023. The fund-based bank limits and non-fund-based limits are utilized on an average to the extent of around 49% and around 100% in last 16 months ended July 31, 2023, respectively. The current ratio stood adequate at 1.20x as on March 31, 2023.
The working capital cycle of the company was comfortable and stood minimal at 2 days in FY23 mainly on the back of usage of LC (procurement of coking coal) of usance period of 30-90 days. NCMPL sells its finished product to its customers on a credit period of 10-15 days. The average inventory period was 32 days in FY23 (25 days in FY22).

Applicable criteria

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
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Energy	Oil, Gas & Consumable Fuels	Consumable Fuels	Coal

NCMPL was incorporated in 2003 by Dr. B D Chatterjee along with Mr. Bibhudatta Panda. NCMPL produces and sells sized coke, coke fines and LAM coke with the present installed capacity of 75,000 MTPA (owned) at Baramana (Dist. Jajpur) Odisha and 37,600 MTPA leased across Odisha and Vizag.
The Company had entered into a one-time settlement with the lender in March 2018 wherein debt of Rs.40 crore was waived by the bank.
The day-to-day operations of the company are looked after by Mr. Panda with the support of other professionals.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (P)
Total operating income	199.19	266.21
PBILDT	17.56	12.06
PAT	12.60	6.17
Overall gearing (times)	1.14	0.90
Interest coverage (times)	5.22	3.27

A: Audited P: Provisional; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	May 2029	6.69	CARE BB+; Stable
Non-fund-based - ST-Letter of credit		-	-	-	8.75	CARE A4+

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	Non-fund-based - ST-Letter of credit	ST	8.75	CARE A4+	-	1)CARE A4+ (27-Jun-22)	1)CARE A4 (03-Aug-21)	1)CARE A4 (30-Sep-20)
2	Fund-based - LT-Cash Credit	LT	10.00	CARE BB+; Stable	-	1)CARE BB+; Stable (27-Jun-22)	1)CARE BB; Stable (03-Aug-21)	1)CARE B+; Stable (30-Sep-20)
3	Fund-based - LT-Term Loan	LT	6.69	CARE BB+; Stable	-	1)CARE BB+; Stable (27-Jun-22)	1)CARE BB; Stable (03-Aug-21)	1)CARE B+; Stable (30-Sep-20)

*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	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Letter of credit	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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