Narayani Coke Private Limited (Revised)

December 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank Facilities	9.00	CARE BBB+; Stable / CARE A2	Reaffirmed
Short-term bank facilities	80.60	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Narayani Coke Private Limited (NCPL) considers improvement in scale of operations of the group with improved profitability margins. The rating also takes into consideration the expansion in installed capacity of the group majorly funded through internal accruals. Ratings further derive strength from the experience of promoters with long track record of operations, strategic location of the plant, satisfactory capital structure and debt coverage indicators despite moderation in FY24 and reputed client base and healthy order book position. However, ratings are partially offset by profitability susceptible to raw material price volatility, risk associated with forex exchange fluctuations and cyclical nature of end-user industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Increasing scale of operations marked by total operating income (TOI) of above ₹700 crore and improving profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 6% on a sustained basis.
- Improving overall gearing and total debt to gross cash accruals (TD/GCA) below 0.25x and 2.5x respectively on a sustained basis.

Negative Factors

- Declining total operating income (TOI) below ₹400 crore and moderating PBILDT margin below 2% on a sustained basis.
- Debt-funded capex leading to deterioration in overall gearing and debt coverage indicators.

Analytical approach: CARE Ratings Limited (CARE Limited) has combined the financials of NCPL, Harsh Fuels Private Limited (HFPL) and Pawanputra Ecoke Private Limited (PEPL) referred to as "Narayani Group" or "group" since all three entities belong to the same promoter group, operate under common management team, exhibit cash flow fungibility in the form of loans and advances and equity investment and are engaged in manufacturing the same product.

Outlook: Stable

Stable outlook reflects the group's ability to derive benefits from its promoters' experience and long track record of operations to sustain its business and financial risk profiles amid fluctuating raw material cost.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with long track record of operations

The Narayani group is promoted by Pawan More. He has wide experience of over three decades in coal and coke industry. He started coal and coke trading since 1979. To avail fiscal benefits to promote industries in Gujarat, Pawan More set up a LAM coke manufacturing plant with an installed capacity of 100,000 MTPA at Kutch, Gujarat in the name of NCPL. In 2018, Pawan More acquired another Coke manufacturing unit in the name of M/s. Sadguru Fuels Private Limited, which was merged with M/s. Harsh Fuels Private Limited (HFPL). In 2019, when the Government of India announced new corporate policy with corporate income tax @ 15% for new domestic manufacturing company incorporated on or after October 01, 2019 with fresh investments and commencing their production on or before March 31, 2024, Pawan More incorporated new Company namely M/s. Pawanputra Ecoke Private Limited (PEPL) for manufacturing LAM Coke to avail the tax benefits. The day-to-day operations of the group are looked after by Pawan More and an active support of his son Harsh More and daughter in law Sanjana More (Chartered Accountant) with a team of experienced professionals.

Strategic location of the plant

The group majorly imports coking coal from Australia and Russia, among others, through traders based in Switzerland, Singapore and India. Its coke manufacturing facility is in proximity to Kandla Port (~40 Km), which facilitates the group to readily transport coal to its plant location, enabling it to save on inward freight cost. Majority customers of the group are in Gujarat.

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

Reputed client base and healthy order book
The group has reputed client base including Nirma Limited, RSPL Limited, Hindustan Zinc Limited, among others which includes entities in the chemical and metals industry. The group has long-established relationship with most of its clients and has been getting repeat orders from its client which indicates satisfactory product delivery by the company. As on September 30, 2024, the group has order book position for supply of ~37,900 MT of LAM coke from its customers which amounts to ₹111.24 crore (excluding GST). Apart from the regular order from the large players, the group also have orders from small players.
Going forward, the group's healthy relationship with its clients is expected to help in achieving continuous volume growth.

Increase in scale of operations and improved profitability margins
The TOI of the group has witnessed y-o-y growth of ~5% to ₹535.68 crore in FY24 from ₹508.90 crore in FY23 considering increase in sales volume by ~19%. The sales realisation moderated from ₹38,193 per MT in FY23 to ₹34,686 per MT in FY24. Further, the group reported PBILDT of ₹35.16 crore in FY24 (PY: ₹22.17 crore). PBILDT margin improved from 4.36% in FY23 to 6.56% in FY24.
In H1FY25, the group reported PBILDT of ₹24.09 crore on TOI of ₹301 crore.
On standalone basis, the total operating income of NCPL remained stable at ₹287.21 crore in FY24 (PY: ₹299 crore).
The revenues are expected to improve gradually going ahead with similar levels of margins amid highly volatile raw material prices.

Satisfactory capital structure and debt coverage indicators; despite moderation in FY24
The group's financial risk profile continued to remain satisfactory despite moderating in FY24, marked by overall gearing and TD/GCA of 0.85x and 5.29x as on March 31, 2024 against 0.53x and 4.27x respectively as on March 31, 2023, due to higher LC backed acceptances. The group's debt profile majorly comprises LC backed acceptances with moderate dependence on term debt and fund based working capital limits.
On a combined basis, despite increase in installed capacity from 1,40,000 MT in FY23 to 1,60,000 MT in FY24 and further to 1,84,000 MT in current fiscal, the term loan of the group has reduced from ₹17.61 crore as on March 31, 2023 to ₹13.38 crore as on March 31, 2024, and further reduced to ₹10.77 crore as on September 30, 2024 since the capacity additions has mostly been funded from internal accruals.
On standalone basis, the capital structure is comfortable marked by overall gearing of 0.49x as on March 31, 2024, which moderated from 0.01x as on March 31, 2023.
Going forward, the company's capital structure is expected to remain at satisfactory levels in the near-to-midterm in absence of debt funded capital expansion plans.

Key weaknesses
Profitability susceptible to raw material price volatility
The raw material cost formed ~90% of the total cost of sales in FY24 (90% in FY23). Since raw material is the major cost driver, prices of which are volatile, the company's profitability is susceptible to raw material price fluctuation. Coking coal prices in international market are highly volatile and directly impacts domestic steel players and coke manufacturers as they import close to 70% of the total requirement. The operating margin is susceptible to input price (coal) fluctuations and realisation of finished goods. Sharp delta in input prices, in the absence of an almost similar delta in realisations, can significantly dent profitability.

Risk associated with foreign exchange fluctuations
The group imported 67% of its raw material in FY24, while it sells finished product in domestic market, exposing the company to foreign exchange risk. The company purchases coking coal-based on usance LC of 180 days. The company hedges its open exposure at an opportune time considering movement in currency rate.

Cyclical nature of the steel industry
The group manufactures LAM coke, which apart from other industries, is majorly required in manufacturing steel products such as pig iron, and ferro alloys metals, among others, so there is a high degree of dependence on steel industry fortunes, which is cyclical, as it largely depends on the economy, supply and demand, and infrastructure of the country.
The steel industry is sensitive to the business cycles, including changes in the general economy, interest rates, and seasonal changes in the demand and supply conditions in the market.

Liquidity: Adequate
The group's liquidity position is adequate marked by GCA of ₹24.60 crore against the term debt repayment obligation of ₹5.17 crore in FY24. Going forward, the group has term debt repayment obligations of ₹5.13 crore in FY25, which is expected to be funded through expected cash accruals. On standalone basis, there is no term loan in NCPL, except negligible vehicle loans of ₹0.94 crore as on March 31, 2024. The group's average fund based utilisation has been low at ~30% and average non fund based limits utilisation stood at ~75-80% for 12-months ended September 30, 2024. On a standalone basis, average utilisation of fund-based and non-fund based limit for NCPL stood at 25% and 69%, respectively, for 12-months ended September 30, 2024.

Environment, social, and governance (ESG) risks- Not applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Consolidation

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Energy	Oil, Gas & Consumable Fuels	Consumable Fuels	Coal

NCPL was incorporated in 2003 by Pawan More, who is into coal and coke trading since 1979, and later in 1991, he set up an ancillary unit for manufacturing coke. In 2001, he moved to Gandhidham, Gujarat, and set up a LAM coke manufacturing plant with an installed capacity of 100,000 MTPA. The company's day-to-day operations are looked after by Pawan More with the support of his wife, Santosh More, and a team of experienced professionals.
HFPL was incorporated in 1991 with an installed capacity of 36,000 MTPA for manufacturing LAM coke at Kutch, Gujarat. The installed capacity of HFPL has increased to 60,000 MTPA in current year.
Incorporated in 2013, PEPL installed capacity of 24,000 MTPA for manufacturing LAM coke at Kutch, Gujarat. PEPL's commercial production started from February 2023.

Combined financials of NCPL, HFPL and PEPL

Brief Financials (₹ crore)	March 31, 2023 (UA, C)	March 31, 2024 (UA, C)	H1FY25 (UA, C)
Total operating income	508.90	535.68	300.99
PBILDT	22.17	35.16	24.09
PAT	14.11	18.26	NA
Overall gearing (times)	0.53	0.85	NA
Interest coverage (times)	7.10	4.08	NA

UA: Unaudited, C: Combined, NA: Not Available; Note: these are latest available financial results

Standalone financials of NCPL

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	298.69	287.21	146.35
PBILDT	9.27	8.74	6.50
PAT	6.29	4.30	NA
Overall gearing (times)	0.01	0.49	NA
Interest coverage (times)	9.85	2.60	NA

A: Audited, UA: Unaudited, NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	9.00	CARE BBB+; Stable / CARE A2
Non-fund-based - ST-BG/LC		-	-	-	79.00	CARE A2
Non-fund-based - ST-Forward Contract		-	-	-	1.60	CARE A2

Annexure-2: Rating History for 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 2024-2025	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
1	Fund-based/Non-fund-based-LT/ST	LT/ST	9.00	CARE BBB+; Stable / CARE A2	-	1)CARE BBB+; Stable / CARE A2 (06-Oct-23)	1)CARE BBB; Stable / CARE A3+ (05-Jan-23)	1)CARE BBB; Stable / CARE A3+ (04-Feb-22)
2	Non-fund-based - ST-BG/LC	ST	79.00	CARE A2	-	1)CARE A2 (06-Oct-23)	1)CARE A3+ (05-Jan-23)	1)CARE A3+ (04-Feb-22)
3	Non-fund-based - ST-Forward Contract	ST	1.60	CARE A2	-	1)CARE A2 (06-Oct-23)	1)CARE A3+ (05-Jan-23)	1)CARE A3+ (04-Feb-22)

LT/ST: Long term/Short term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instrument/facilities- Not applicable

Annexure 4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based/Non-fund-based-LT/ST	Simple
2	Non-fund-based - ST-BG/LC	Simple
3	Non-fund-based - ST-Forward Contract	Simple

Annexure 5: Lender details

To view lender-wise details of bank facilities please click here

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

Contact us

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Arindam Saha Director **CARE Ratings Limited** Phone: +91-033- 40181631 E-mail: arindam.saha@careedge.in Gopal Pansari Associate Director **CARE Ratings Limited** Phone: 91-033- 40181647 E-mail: gopal.pansari@careedge.in Shivangi Sharma Assistant Director **CARE Ratings Limited** E-mail: shivangi.sharma@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.

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