

## NRC Industries Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	2.00	CARE BB+; Stable	Assigned
Long Term Bank Facilities	8.00 (Reduced from 30.00)	CARE BB+; Stable	Reaffirmed
Short Term Bank Facilities	13.00 (Reduced from 25.00)	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of NRC Industries Limited (NRC) are constrained on account of modest scale of operations coupled with low profitability margins and average financial risk profile. The ratings also factor in working capital-intensive nature of operations, susceptible volatility in raw material prices and presence in highly competitive and fragmented nature of industry. However, the ratings derive strength from experienced promoters and long track record of operations, and established & reputed customer base albeit customer concentration.

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

#### Positive factors

- Improvement in scale of operations beyond Rs. 250 crores coupled with PBILDT Margin above 8% on sustained basis.
- Improvement in capital structure as reflected by overall gearing below 1.00 times.

#### Negative factors

- Deterioration in capital structure marked by overall gearing beyond 1.75x.
- Significant decline in scale of operation below Rs. 90 crores coupled with PBILDT margin below 4%.

### Analytical approach: Standalone

#### Outlook: Stable

The "Stable" outlook assigned to the bank facilities of NRC takes into account likely continuation in moderate capital structure coupled with company's long track record of operations showing its capabilities to mitigate inherent risk associated with the business, like high working capital requirement & highly competitive nature of operations.

### Detailed description of key rating drivers:

#### Key weaknesses

**Modest albeit improving scale of operations:** The TOI grew by 36% to Rs. 227.95 crore in FY24 (refers to April 01 to March 31). The profitability margins stood modest as marked by PBILDT margin of 4.79% during FY24, with a year-on-year moderation of 76 bps. The moderation in operational performance was mainly owing to the company bidding for private projects wherein the margins were on the lower side, but the volume was higher. Profit after Tax (PAT) margin stood modest and slightly improved to 1.46% (PY: 1.37%) on account of low interest and depreciation costs.

The company has booked revenue of Rs. 190 crores in 11MFY25 (refers to April 01 to February 28). The competition in the industry will continue to restrict future growth prospects.

**Average financial risk profile:** The entity's capital structure improved during the year as marked by an overall gearing of 1.41x as on March 31, 2024 (2.19x as on March 31, 2023). However, the company relies on working capital borrowings to fund its working capital requirements. The total outside liabilities to net worth (TOL/TNW) stood moderate at 1.68x as on March 31, 2024 (PY: 2.60x). Debt coverage indicators stood marginally weak, as marked by moderate PBILDT interest coverage of 1.67x in FY24 (1.55x in FY23) and high total debt to Gross cash accruals (TD/GCA) of 11.03x in FY24 (15.24x in FY23). However, the promoters

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

support the business whenever required by infusion of funds in form of unsecured loans. The unsecured loans as on March 31, 2024, stood at Rs. 6.04 crore (PY: Rs. 1.99 crore).

**Working capital intensive nature of operations:** Working capital intensity is one of the inherent natures of the conveyor belt manufacturing industry. Company maintains sufficient level of inventories and allows credit period to buyers since company deals with highly reputed PSU having intense process of audit and inspection before dispatch resulting in elongated operating cycle of the company which remains at 56 days during FY24 as compared to 69 days during FY23. Consequently, the company rely on bank borrowings to fund its working capital requirement. However, the working capital utilisation for the past twelve months period ending January 2024 remained at around 50%.

**Susceptible volatility in raw material prices:** NRC's business risk profile remains exposed to volatility in key raw material prices i.e., rubber, steel, fabric & chemicals which constituted almost 70 per cent of total revenue from operations thereby making profitability sensitive to any fluctuation in raw material prices. Furthermore, raw materials are commodity in nature and witness frequent price fluctuations. Although the company has escalation clause in its contracts, still there can be time lag in the increase in raw material prices and passing on to the consumer. Thus, any adverse change in the prices of the raw material will directly affect the profitability margins of the company.

**Presence in highly competitive and fragmented nature of industry:** Conveyor Belt manufacturing industry in India faces intense competition from both organized and unorganized players in the market. The presence of organized players restricts the pricing policy of company resulting in low profitability of medium sized and unorganized players in the industry. However, long track record of entity proves its ability to sustain in these kinds of highly competitive and fragmented nature of industry.

## Key strengths

**Experienced promoters and long track record of operations:** NRC is promoted by Tarunjit Singh, Jasneet Singh, Arvinder Singh and Absar Ahmad Khan. All the promoters and directors are highly experienced in their respective domain giving a competitive edge to the company. Furthermore, NRC has a long track record of operations, as the company is operational from 1985. Promoters are further supported by well versed management team which looks after the day-to-day operations of company comprising of qualified and experienced individual from the industry.

**Established and reputed customer base albeit customer concentration:** The company has long standing relationship of decades with some of the reputed public sector undertakings like Steel Authority of India, Coal India etc which reduces counterparty risks to some extent coupled with repetitive orders and timely payments. However, these PSUs comprises almost 90% of revenue from operations of the company exposing company to customer concentration risk coupled with lower negotiation power. Any adverse change in procurement policy or financial performance of the customers will directly impact the operations and growth perspective of NRC.

## Liquidity: Stretched

The company has a total debt repayment obligation of Rs. 2.96 crores against the projected GCA of Rs. 5.07 crores. The company has cash, bank and liquid investments of Rs. 19.60 crores as on March 31, 2024. The working capital utilisation for the past twelve months period ending January 2024 remained at around 50%. The current ratio and quick ratio stood at 1.76x and 1.64x as on March 31, 2024. However, the company is looking forward to expanding their customer base and also double its capacity. The capex will be done through internal accruals and promoter's funds.

**Assumptions/Covenants:** Not Applicable

**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](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Iron & Steel Products

Amritsar, Punjab based NRC was incorporated on November 28, 1985 and is engaged in the manufacturing of rubber and steel cord conveyor belts. The company manufactures various grades of conveyor belts used for industrial applications including material handling and transportation in various industries like mining, power, cement, fertilizer, steel etc. NRC caters majorly domestic market with some proportion of export and operates from the plant located at Amritsar, Punjab.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
Total operating income	167.15	227.95	190.00
PBILDT	9.27	10.92	NA
PAT	2.30	3.32	NA
Overall gearing (times)	2.19	1.41	NA
Interest coverage (times)	1.55	1.67	NA

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

**Status of non-cooperation with previous CRA:** Brickwork and Infomerics have continued the ratings assigned to the bank facilities of NRC into 'Issuer not-cooperating' category vide press release dated July 16, 2024, and March 21, 2024, respectively, on account of non-availability of requisite information from the company.

**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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	8.00	CARE BB+; Stable
Fund-based - LT-Term Loan	-	-	-	March 2029	2.00	CARE BB+; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	13.00	CARE A4+

**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 - LT-Cash Credit	LT	8.00	CARE BB+; Stable	1)CARE BB+; Stable (04-Apr-24)	-	1)CARE BB+; Stable (02-Mar-23)	-
2	Non-fund-based - ST-BG/LC	ST	13.00	CARE A4+	1)CARE A4+ (04-Apr-24)	-	1)CARE A4+ (02-Mar-23)	-
3	Fund-based - LT-Term Loan	LT	2.00	CARE BB+; Stable				

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of 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-BG/LC	Simple

**Annexure-5: Lender details**To view the 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.

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