

NCL Industries Limited

August 23, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Fixed Deposit	65.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Medium Term Instruments	65.00 (₹ Sixty-Five Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd had, vide its press release dated August 24, 2021 placed the rating of NCL Industries Limited (NCL) under the 'issuer noncooperating' category as NCL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. NCL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and an email dated August 16, 2022, August 10, 2022 and August 05, 2022. In line with the extant SEBI guidelines, CARE Ratings Ltd 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).

Detailed description of the key rating drivers

At the time of last rating on August 24, 2021 the following were the rating strengths and weaknesses (updated for the information available from BSE Filings)

Key Rating Weakness:

Moderate capital structure: NCL's capital structure has improved significantly due to increase in total net worth. The overall gearing stood at 0.61x in FY20 and Total debt / GCA stood at 3.57x. In FY21 the overall gearing improved to 0.40x due to healthy profits and reduction in debt obligation. The total debt to GCA stood at 1.34x in FY21. Further, In FY22 the gearing remained at 0.43x due to slight increase in debt obligation but Net worth has increased by 12% in FY22.

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 cyclicity in the cement industry: The company remains exposed to pricing pressure due to supply demand mismatches in southern India.

Key Rating 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 2022, followed by boards segment, Ready Mix Concrete (RMC), Prefab and energy. Cement constituted 86.18% to total sales during FY22 (86.94% during FY21). Further during FY20, cement constitutes 83.41% of the total sales.

Improvement in revenue and satisfactory operating margins during FY21-22: Total Operating Income (TOI) grew by 48% during FY21 over FY20 backed by increase in quantum of sales due to improved demand prospects for cement. During FY20 TOI stood at Rs. 940.54 crore and in FY21 TOI marked at Rs 1390.27 crore. The PBILTD margins increased from 15.22% in FY20 to 20.80 % in FY21. Further, during FY22 the company has registered TOI of Rs. 1644 crore as against Rs 1390 crore which is only 18% increase in sales. The PBILTD margins and PAT margin stood at 13% and 5.97% owing to increase in cost of sales and increase in raw material prices.

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

Location advantage and adequate availability of raw material: 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 improved during FY22 over FY21 on account of improved debtor 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

Analytical approach: Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Cement](#)

[Manufacturing Companies](#)

About the company

NCL Industries Limited (NCL), formerly known as Nagarjuna Cements Limited was incorporated in September 10, 1979, and belongs to NCL group which is an established industrial house of AP/Telangana having presence in building & construction materials sector. NCL is engaged in business of manufacturing cement, cement particle boards and Ready-Mix Concrete.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23(UA)
Total operating income	1,390.27	1,644.54	394.14
PBILDT	289.14	218.55	36.17
PAT	148.69	98.14	12.47
Overall gearing (times)	0.40	0.43	NA
Interest coverage (times)	14.12	9.03	NA

A: Audited UA: Unaudited NA: Not Available

Status of non-cooperation with previous CRA: Nil

Any other information: NA

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

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

Complexity level of various instruments rated for this company: Annexure-4

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
Fixed Deposit	NA	-	-	NA	65.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

*NA: Not Available

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	Fixed Deposit	LT	65.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	1)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)	1)CARE BBB (FD); Stable; ISSUER NOT COOPERATING* (30-Oct-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Nil
Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fixed Deposit	Simple

Annexure-5: Bank lender details for this company

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

Note on 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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