

NCL Industries Limited

July 01, 2020

Ratings

Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Fixed Deposit	65.00 (Rs. Sixty five crore only)	CARE BB+ (FD); Stable; ISSUER NOT COOPERATING* (Double B Plus (Fixed Deposit) Outlook: Stable; Issuer Not Cooperating)	Issuer not cooperating; Revised from CARE BBB (FD); Stable; on the basis of best available information

Details of instruments/facilities in Annexure-1

CARE had, vide its press release dated October 30, 2019, placed the rating(s) of NCL Industries Limited (NCL) under the 'issuer non-cooperating' 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 June 24, 2020 and June 25, 2020. 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).

The revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

Detailed description of the key rating drivers

*At the time of last rating on October 30, 2019, the following were the rating strengths and weaknesses:
(Updated for information available with Bombay Stock Exchange and National Stock Exchange)*

Key Rating Weaknesses

Moderate capital structure: NCL's capital structure remained moderate represented by overall gearing level at 1.31x as on March 31, 2017 primarily on account of debt funded capex. Total debt to GCA was high at 3.91x during FY17. Overall gearing improved as on March 31, 2018 and stood at 0.51x on account of Qualified Institutional Placement (QIP) issued. As on March 31, 2019, the overall gearing stood at 0.59x on account of increase in working capital borrowings.

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 three years ended March 31, 2017 followed by boards segment, Ready Mix Concrete (RMC), Prefab and energy. Cement constituted 86.18% to total sales during FY17 (84.43% during FY16). Further during FY19, cement constitutes 85.45% of the total sales.

Improvement in revenue and satisfactory operating margins during FY17: Total Operating Income (TOI) grew by 16% during FY17 over FY16 backed by increase in quantum of sales due to improved demand prospects for cement. During FY19 TOI

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

improved by 11.14% to Rs.984 crore in FY19 as against Rs.885.35 crore in FY18. The operating margins stood at 14.33% in FY19. Further, during 9MFY20 the company has registered TOI of Rs.691.29 crore as against Rs.713.46 crore during 9MFY19.

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 FY17 over FY16 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 FY17 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](#)
[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology-Manufacturing Companies](#)
[Rating Methodology-Cement Industry](#)
[Financial ratios – Non-Financial Sector](#)

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 [installed capacity of 2.70 Million Tons Per Annum (MTPA)], 2.6 MTPA of clinker capacity, cement particle boards and Ready-Mix Concrete. Besides, NCL also owns two mini hydel projects - one on right main canal of Srisaillam dam [7.5 Mega Watt(MW)] and other on the right high level canal of Tungabhadra dam (8.25 MW).

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	885.35	984.00
PBILDT	139.11	141.02
PAT	49.11	46.78
Overall gearing (times)	0.51	0.59
Interest coverage (times)	4.33	3.81

A: Audited

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fixed Deposit	NA	-	-	-	65.00	CARE BB+ (FD); Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB (FD); Stable; ISSUER NOT COOPERATING* on the basis of best available information

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Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (04-Jun-18)	1)CARE BBB; Stable (14-Aug-17) 2)CARE BBB-; Stable (03-May-17)
2.	Fixed Deposit	LT	65.00	CARE BB+ (FD); Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB (FD); Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB (FD); Stable; ISSUER NOT COOPERATING* (30-Oct-19)	1)CARE BBB (FD); Stable; ISSUER NOT COOPERATING* (04-Jun-18)	1)CARE BBB (FD); Stable (04-Oct-17) 2)CARE BBB (FD); Stable (14-Aug-17) 3)CARE BBB- (FD); Stable (03-May-17)
3.	Non-fund-based - LT/ST-BG/LC	LT/ST	-	-	-	-	1)Withdrawn (04-Jun-18)	1)CARE BBB; Stable / CARE A3+ (14-Aug-17) 2)CARE BBB-; Stable / CARE A3 (03-May-17)

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Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable.

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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