

## NCL Industries limited

October 30, 2019

### Ratings

Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Fixed Deposit	65.00 (Rs. Sixty five crore only)	<b>CARE BBB (FD); Stable; ISSUER NOT COOPERATING* (Triple B (Fixed Deposit) Outlook: Stable; Issuer Not Cooperating)</b>	Issuer not cooperating; Based on best available information

*Details of instruments in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated June 04, 2018, placed the rating 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 a letter dated October 09, 2019. 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).**

### Detailed description of the key rating drivers

At the time of last rating on June 04, 2018 the following were the rating strengths and weaknesses (updated for the information available from Bombay Stock Exchange and National Stock Exchange):

#### 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 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.

**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 utilisation 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.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

### 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.

**Liquidity:** Detailed comment on liquidity is not available due to non-cooperation by the company. However, the company has adequate cash accruals (Rs.97.06 crore vis-à-vis repayment obligation of Rs.69.50 crore in FY20) with cash and bank balance of Rs.5.01 crore as on March 31, 2019.

**Analytical approach:** Standalone

### Applicable Criteria

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

[Criteria on assigning Outlook 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 instrument/facilities is given in Annexure-3

**Annexure-1: Details of Instruments/Facilities**

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

**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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
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)	1)CARE BBB- (30-Jun-16)
2.	Fixed Deposit	LT	65.00	CARE BBB (FD); Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	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)	1)CARE BBB- (FD) (30-Jun-16)
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)	1)CARE BBB- / CARE A3 (30-Jun-16)

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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