

Narayani Steels Limited

September 17, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	97.50	CARE C; Stable; Issuer Not Cooperating* (Single C; Outlook – Stable; Issuer Not Cooperating*)	Issuer Not Cooperating; Revised from CARE BBB-; Stable (Triple B Minus; Outlook – Stable) based on best available information
Short Term Bank Facilities	125.00	CARE A4; Issuer Not Cooperating* (A Four; Issuer Not Cooperating*)	Issuer Not Cooperating; Revised from CARE A3 (A Three) based on best available information
Total facilities	222.50 (Rs. Two Hundred Twenty-Two Crore and Fifty lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Narayani Steels Limited to monitor the ratings vide e-mail communications/letters dated June 12, 2019, July 26, 2019, July 31, 2019, August 01, 2019, August 05, 2019, August 07, 2019, August 13, 2019, August 22, 2019, August 30, 2019, September 04, 2019, September 05, 2019, September 09, 2019, September 11, 2019, September 13, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. The rating on Narayani Steels Limited's bank facilities will now be denoted as **CARE C; Stable; ISSUER NOT COOPERATING*/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings have been revised on account of liquidity constraint which has led to overdrawals in recent past as confirmed by the lenders.

Detailed description of the key rating drivers

At the time of last rating on January 07, 2019 the following were the rating strengths and weaknesses (updated for the information available from stock exchange filings):

Key Rating Weaknesses

Stretched liquidity position resulting in overdrawal's

The liquidity position of the company is stressed which has led to overdrawals with respect to its working capital borrowings in recent past. The same has also been confirmed by one of its lenders. Further, the other entities of the group are also facing liquidity issues.

Key Rating Strengths

Promoter's significant experience in Iron & Steel Industry

Narayani Steels Limited is the flagship company of Narayani Group, incorporated in the year 1996 by Mr. Kishanlal Choudhary, who currently serves as the chairman and non-executive director of the company, he has more than three decades of experience in the Iron & Steel industry. Mr. Sunil Kumar Choudhary is the managing director and the Chief Executive Officer of the company; he looks after the overall business operations of the company and has two decades of experience. Further, they are ably supported by Mr. Bivor Bagaria, a qualified chartered accountant who has an overall experience of over a decade and takes care of finance. Moreover, the management team comprises of professionals having significant experience in the related domain of business operations.

The total operating income of the company deteriorated from Rs.779.11 crore in FY18 to Rs. 751.68 crore whereas the PBILDT margins remained stable at 2.69% in FY 19. Further, the company reported a total operating income of Rs. 163.52 crore during Q1FY20 with a PBILDT margin of 3.40% and a PAT margin of 0.58%.

¹Complete 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

Analytical approach: Standalone- Narayani Steels Limited (NSL) is part of Narayani group; the group comprises of five companies namely Narayani Steels Limited (NSL), Narayani Ispat Limited (NIL), Hari Equipment Private Limited (HEPL), Agrimony Tradex Vyaappar Private Limited (ATVPL) and Kedarnath Commotrade Private Limited (KCPL), and all of them are operating in similar line of business and are managed by same promoters. Hence, while arriving at the rating CARE has factored in group's established brand name, management bandwidth and financial flexibility.

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](#)

[Factoring Linkages in Ratings](#)

[Rating Methodology-Wholesale Trading](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Narayani Steels Limited (NSL), which belongs to Narayani Group, is incorporated in the year 1996 by Mr. Kishanlal Choudhary, who is the chairman of the company and he is ably supported by his son Mr. Sunil Choudhary, who is the managing director and chief executive officer with an overall experience of 20 years. During FY17, Narayani Steels Limited got listed through SME platform of Bombay stock exchange in FY17. NSL is part of Narayani group; the group comprises of five companies namely Narayani Steels Limited (NSL), Narayani Ispat Limited (NIL), Hari Equipment Private Limited (HEPL), Kedarnath Commotrade Private Limited (KCPL) and Agrimony Tradex Vyaappar Private Limited (ATVPL).

Narayani group is engaged in trading of blooms, billets, TMT bars, pellets, wire coils and manufacturing of TMT bars and other long products such as rounds, flats, angles, channels, etc. Further, the group has a wide network for the sales and distribution of the products across Andhra Pradesh, Telangana and other states in India.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	779.11	751.68
PBILDT	20.77	20.19
PAT	2.05	2.19
Overall gearing (times)	3.31	1.96
Interest coverage (times)	1.29	1.27

A: Audited

Status of non-cooperation with previous CRA: Brickworks Ratings has placed the rating for the bank facilities of NSL under 'Issuer Not Cooperating' in May 2018, due to absence of requisite information from the company.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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
Fund-based - LT-Cash Credit	-	-	-	60.00	CARE C; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	25.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information
Non-fund-based - ST-	-	-	-	100.00	CARE A4; ISSUER NOT

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Letter of credit					COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information
Fund-based - LT-Working Capital Limits	-	-	-	37.50	CARE C; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information

*Issuer did not cooperate; 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	60.00	CARE C; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information	-	1)CARE BBB-; Stable (07-Jan-19) 2)CARE BBB-; Stable (27-Dec-18)	1)CARE BBB-; Stable (05-Dec-17)	-
2.	Non-fund-based - ST-Bank Guarantees	ST	25.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information	-	1)CARE A3 (07-Jan-19) 2)CARE A3 (27-Dec-18)	1)CARE A3 (05-Dec-17)	-
3.	Non-fund-based - ST-Letter of credit	ST	100.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information	-	1)CARE A3 (07-Jan-19) 2)CARE A3 (27-Dec-18)	1)CARE A3 (05-Dec-17)	-
4.	Fund-based - LT-Working Capital Limits	LT	37.50	CARE C; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information	-	1)CARE BBB-; Stable (07-Jan-19) 2)CARE BBB-; Stable (27-Dec-18)	1)CARE BBB-; Stable (05-Dec-17)	-

*Issuer did not cooperate; Based on best available information

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.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name - Ms. Radhika Ramabhadran

Group Head Contact no.: +91-40-67937414

Group Head Email ID: radhika.ramabhadran@careratings.com

Relationship Contact

Name: Mr. Ramesh Bob

Contact no. : +91 - 9052000521

Email ID: ramesh.bob@careratings.com

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.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**