

## Narayani Steels Limited

November 15, 2019

### Ratings

| Facilities                 | Amount (Rs. crore)   | Rating <sup>1</sup>  | Rating Action   |
|----------------------------|--|--|---|
| Long Term Bank Facilities  | 97.50  | <b>CARE D;<br/>ISSUER NOT COOPERATING*</b><br>(Single D;<br>Issuer Not Cooperating*) | <b>Revised form CARE C; Stable;<br/>Issuer Not Cooperating*</b><br>(Single C; Outlook – Stable;<br>Issuer Not Cooperating*) |
| Short Term Bank Facilities | 125.00   | <b>CARE D;<br/>ISSUER NOT COOPERATING*</b><br>(Single D;<br>Issuer Not Cooperating*) | <b>Revised form CARE A4;<br/>Issuer Not Cooperating*</b><br>(A Four; Issuer Not Cooperating*)                               |
| <b>Total facilities</b>    | <b>222.50</b><br>(Rs. Two Hundred<br>Twenty-Two Crore and<br>Fifty lakhs Only) |  |   |

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated September 17, 2019, placed the ratings of Narayani Steels Limited under the 'issuer non-cooperating' category as Narayani Steels Limited had failed to provide information for monitoring of the rating. Narayani Steels Limited continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email between June 12, 2019 and November 07, 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. The rating on Narayani Steels Limited's bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING\*/CARE D; 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 continuing overdues as confirmed by the lenders.

### Detailed description of the key rating drivers

*At the time of last rating on September 17, 2019 the following were the rating strengths and weaknesses (updated for the information available from stock exchange filings):*

### Key Rating Weaknesses

#### Continuing over due's with respect to debt servicing

The lenders have confirmed that there are continuing overdue's with respect to debt servicing of the company owing to liquidity issues. For H1FY20, the company has reported cash loss of Rs. 7.33 crore.

### 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.

**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.

<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

**Applicable Criteria**

[CARE's Policy on Default Recognition](#)  
[Policy in respect of Non-cooperation by issuer](#)  
[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)  
[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

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

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

## 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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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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