

## Neosym Industry Limited

April 05, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	135.00	<b>CARE BBB; Stable; ISSUER NOT COOPERATING* (Triple B; Outlook: Stable; ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Based on best available information. Revised from CARE BBB+; Stable (Triple B Plus; Outlook: Stable)
Short term Bank Facilities	14.00	<b>CARE A3; ISSUER NOT COOPERATING* (A Three; ISSUER NOT COOPERATING*)</b>	Issuer not cooperating; Based on best available information. Revised from CARE A3+ (A Three Plus)
<b>Total</b>	<b>149.00 (Rs. One Hundred and Forty Nine Crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Neosym Industry Limited to monitor the rating(s) vide e-mail communications/letters dated March 27, 2018, March 13, 2018, March 7, 2018, March 6, 2018, February 27, 2018, February 15, 2018, January 16, 2018 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 publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Neosym Industry Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Neosym Industry Limited's bank facilities will now be denoted as CARE BBB; Stable/CARE A3; 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 rating(s).**

The ratings have been revised on account of continued net losses as well as continuous deterioration of debt protection metrics.

### Detailed description of the key rating drivers

At the time of last rating on March 07, 2017 the following were the rating strengths and weaknesses updated for the information available from Registrar of Companies.

### Key Rating Strengths

**Strong parentage and experienced management:** Around 1857, Late Mr. Shiv Narain Birla established a trading house in Mumbai. Over the years, Birla's have promoted and established a large number of industrial undertakings manufacturing a diverse range of products. CK Birla Group was established by Mr. B M Birla. Now, the group is run by his grandson Mr. C.K. Birla, son of Mr. G.P. Birla.

Neosym Industry Limited is a part of the C.K. Birla group, a reputed Indian industrial group with interests in major industries, such as automobiles and auto components, engineering, consumer electrical, precision bearings, healthcare, education, information technology, paper, cement, etc. Mr. C.K. Birla, as the Chairman of NSIL, is the key decision maker and directly monitors the operations of the company.

**Proven track record in downstream metal industry:** The company entered into casting business in 1965 by setting up a factory at Thane, Maharashtra. During 2007, NSIL expanded its casting business by setting up another facility at Pune, Maharashtra. The products of the casting division are primarily used in segments as Off the Road (farm and construction equipment) as well as heavy commercial vehicles. John Deere, Daimler India, Carraro India, Tata Cummins and others are the few prominent clientele of NSIL.

Subsequently during 2012, the company has installed engine blocks and heads casting facility in Pune, Maharashtra.

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

**Growth in total operating income:** The total operating income of the company grew by 12.51% at Rs. 293.51 crore during FY17 as compared to Rs. 260.88 crore in FY16. The PBILDT margin increased to 4.92% in FY17 as against 3.68% in FY16 on account of increase in sales partially offset by increase in raw material cost.

#### Key Rating Weaknesses

**Continued net losses:** The company continued to report net losses during FY17 mainly due to extraordinary expense of Rs. 16.03 crore booked against VRS compensation paid to workmen.

**Moderate Liquidity Position:** The operations of the company continue to be working capital intensive. Continuous losses incurred resulted in negative cash accruals.

**Moderation in Capital Structure:** The networth base of the company deteriorated from Rs. 274.47 crore as on March 31, 2016 to Rs. 251.79 crore as on March 31, 2017 on account of losses incurred during the year. Moreover, the total debt exposure increased to Rs. 95.80 crore as on March 31, 2017 from Rs. 67.58 crore as on March 31, 2016 due to addition of long term loan and increase in working capital requirement during the year.

The overall gearing of the company moderated but continue to remain comfortable at 0.38x as on March 31, 2017 vis-à-vis 0.25x as on March 31, 2016.

**Raw material volatility:** The main raw materials used by the company are copper, zinc and ferrous and steel scrap. The prices of these raw materials are volatile in nature and thus susceptibility of any adverse movement is likely to impact the profitability of the company.

**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-Auto Ancillary Companies](#)

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

[Rating Methodology: Factoring Linkages in Ratings](#)

#### About the Company

Neosym Industry Ltd [(NSIL,) formerly known as Indian Smelting & Refining Company], part of C.K. Birla Group is in the business of manufacturing Gray iron & Spheroidal Graphite (S.G.) casting mainly used in automotive, agriculture, earthmoving and engineering Industries. NSIL is part of the C.K. Birla group, a reputed Indian industrial group. NSIL has been in the business of rolling non-ferrous metal strips and foils since 1932.

During FY17, NSIL posted total operating income of Rs.293.51 crore (vis-a-vis Rs.260.88 crore in FY16) and net loss of Rs.21.61 crore (vis-a-vis Rs.16.49 crore in FY16).

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**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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**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.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.

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**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	-	-	-	40.00	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable on the basis of best available information
Term Loan-Long Term	-	-	September, 2022	85.00	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable on the basis of best available information
Non-fund-based - LT-Bank Guarantees	-	-	-	10.00	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	14.00	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3+ 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	40.00	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+;	-	-	1)CARE BBB+; Stable (07-Mar-17) 2)CARE BBB+	1)CARE BBB+ (16-Oct-15)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
				Stable on the basis of best available information			(15-Apr-16)	
2.	Non-fund-based - ST-Letter of credit	ST	14.00	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3+ on the basis of best available information	-	-	1)CARE A3+ (07-Mar-17) 2)CARE A3+ (15-Apr-16)	1)CARE A3+ (16-Oct-15)
3.	Non-fund-based - LT-Bank Guarantees	LT	10.00	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable on the basis of best available information	-	-	1)CARE BBB+; Stable (07-Mar-17) 2)CARE BBB+ (15-Apr-16)	1)CARE BBB+ (16-Oct-15)
4.	Term Loan-Long Term	LT	85.00	CARE BBB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB+; Stable on the basis of best available information	-	-	1)CARE BBB+; Stable (07-Mar-17) 2)CARE BBB+ (15-Apr-16)	1)CARE BBB+ (16-Oct-15)

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

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