Nilachal Carbo Metalicks Private Limited

August 01, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	6.00	**CARE B; Stable (Single B; Outlook: Stable)**	**Assigned**
Short-term Bank Facilities	9.00	**CARE A4 (A Four)**	**Assigned**
Total Bank Facilities	**15.00 (Rs. Fifteen crore only)**		

Detail of facilities or instrument in Annexure-1

Detailed Rationale and Key Rating Drivers

The ratings assigned to the bank facilities of Nilachal Carbo Metalicks Private Limited (NCPL) is constrained by small scale of operation, weak financial risk profile, profitability susceptible to volatility in raw material prices and forex fluctuations, working capital intensive nature of operation and cyclicality associated with the steel industry.

The ratings are however; derive strength from long experience of the promoter in coal and coke industry, diversified application of its product with close linkages with steel sector, favourable location of the plant with close proximity to Paradip port. Going forward, the ability of the company to increase its scale of operation while maintaining profitability margin and ability to maintain capital structure will continues to remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weakness

Weak financial risk profile

The total operating income of the company has remained erratic over the last 4 years. In FY16 (refers to the period April 1 to March 31) the total operating income declined by 31.37% from FY15 levels on account of cessation of one of the large contracts due to which the company also incurred losses. Thereafter the turnover witnessed continued improvement since FY17 due to volume growth. The company reported a loss at PBILDT level and extraordinary loss of Rs.33 crore mainly on account of cessation of one of the contract which resulted in write off of slow/non-moving inventory. Due to high losses, the company's networth was eroded and it was unable to service the debt obligation on time and the account was classified NPA by SBI in March 2016. In March 2018, the company has done an OTS with SBI by virtue of which its debt of Rs.65 crore has been settled for Rs.26.5 crore and the same has to be paid off by March 2019 resulting in weak debt protection metrics.

Small scale of operation

With an installed capacity of 72,000 MTPA NCMPL is relatively small player. With its small size, the company does not get benefit from economies of scale and during financial stress it may impact the business as compared to large players in same industry.

Volatility in the prices of raw material and finished goods

The coking coal prices are highly volatile in nature due to commodity nature of product, whose prices are determined based on global demand supply. Given that any sharp decline in raw-material prices needs to be immediately passed on to consumers whereas any sharp increase in finished goods prices are passed to the consumers with a certain time lag, the profitability of the company is susceptible to fluctuation in raw-material prices.

Customer concentration risk

Majority of the revenue for the company is derived from few players in FY18, NCMPL derived around 98% of its revenue from top 5 customers and around 68% in FY17, which shows indicates customer concentration risk.

Cyclical nature of steel industry

NCMPL is in the business of manufacturing and trading of LAM coke which is required in the manufacturing of steel products like pig iron, ferro alloys metals etc. so there is a high degree of dependence on the fortunes of the steel industry, which is cyclical in nature.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications*

Key Rating Strength

Considerable experience of the promoters in coke industry

Nilachal Carbo Metalicks Private Limited (NCMPL) commenced its operation in 2003 under Dr. B D Chatterjee along with Mr. Bibhudatta Panda. Subsequently the entire stake was bought by Mr. Panda. Mr. B .D Panda, started his career as a trader of imported minerals and coal before venturing into LAM coke manufacturing and having 27 years of overall experience.

Strategic location of the plant

Company imports its cooking coal from Australia and its manufacturing unit is located at Chadeidhara (Kalinganagar) Odisha near to Paradip port which reduces the transportation cost.

Diversified application of NCMPL's product with close linkages with steel sector

LAM coke is used in the production of steel and ferro alloy. It is also used as a fuel for various iron/steel foundries for lead smelting, non-ferrous metal casting etc. Further it is also used by secondary steel producers, chemical plants and pig iron producers.

Analytical approach: Consolidated

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Manufacturing Companies
Financial ratios – Non-Financial Sector

About the company

Nilachal Carbo Metalicks Private Limited (NCMPL) was incorporated in 2003 by Dr. B D Chatterjee along with Mr. Bibhudatta Panda. NCMPL produces and sells sized coke – nut coke and coke fines with the present installed capacity of 72,000 MTPA at Chadeidhara (Kalinganagar) Odisha. The day to day operation of the company led by Mr. Panda with the help of Mr. S.C Naik, Ex Executive Director SAIL and Ex- Director Operations, Jindal Stainless Limited. The management team includes another eight professionals from diverse field of operations and management.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	71.62	94.60
PBILDT	-1.87	4.98
PAT	45.20	-7.01
Overall gearing (times)	-2.22	-2.01

Status of non-cooperation with previous CRA: Not applicable.

Any other information: Not Applicable

Rating History (Last three years): 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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****For detailed Rationale Report and subscription information, please contact us at 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.

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
Non-fund-based - ST-Letter of credit	-	-	-	9.00	CARE A4
Fund-based - LT-Cash Credit	-	-	-	6.00	CARE B; Stable

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.	Non-fund-based - ST-Letter of credit	ST	9.00	CARE A4	-	-	-	-
2.	Fund-based - LT-Cash Credit	LT	6.00	CARE B; Stable	-	-	-	-

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