

Tulsyan NEC Limited

May 02, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	830.82	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Short term Bank Facilities	142.16	CARE D; ISSUER NOT COOPERATING* (Single D; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Total	972.98 (Rs. Nine hundred seventy two crore and ninety eight lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 08, 2017, placed the rating(s) of Tulsyan NEC Limited (TNEC) under the 'issuer non-cooperating' category as TNEC had failed to provide information for monitoring of the rating. TNEC continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated April 17, 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 December 08, 2017, the following were the rating strengths and weaknesses (updated for the information available from Bombay stock exchange):

Key Rating Weaknesses

On-going delays in debt servicing: TNEC approached the bankers for Corporate Debt Restructuring (CDR) in May 2014 which was formulated and approved by the bankers on March 26, 2015. However, on account of subdued demand and unfavorable industry scenario the company's liquidity position remained stretched, resulting in delays. The account has been classified as NPA.

Weak financial risk profile: The TOI of the company increased by 31.8% to Rs.711.4 crore in FY18 as against Rs.539.6 crore in FY17. However, company registered a net loss of Rs. 157.5 crore in FY18 (FY17: Rs.87.3 crore) on account of increase in interest cost.

Key Rating Strengths

Experienced management team with reasonable track record of operations: Over the years, under the leadership of Mr Lalitkumar Tulsyan and Mr Sanjay Tulsyan the company has grown into a major producer of secondary steel products like TMT Bars in the southern region. The management team has over three decades of experience in the steel business.

Analytical approach: Standalone

Applicable Criteria

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

About the Company

Incorporated in the year 1947 under the name National Engineering Company Limited (NECL), the company was taken over by the Tulsyan group of companies in 1986. In the year 1996, Tulsyan Synthetics Limited, a group company was

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

merged with the NECL and the name of the company was changed to Tulsyan NEC Limited (TNEC) with effect from August 1996. TNEC is one of the major manufacturers of thermo mechanically treated (TMT) bars and billets in South India. It is also a large manufacturer of High Density Poly Ethelene (HDPE)/ Poly Propylene (PP) sacks and Flexible Intermediate Bulk Containers (FIBC) in the region. The operation of the company is divided into three divisions viz. Steel division, Synthetics division and Power division. TNEC approached the bankers for Corporate Debt Restructuring (CDR) in May 2014. However, continued unfavourable industry scenario led to the company's liquidity position remaining stretched, resulting in delays. Account has been classified as NPA.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	539.6	711.4
PBILDT	37.1	16.3
PAT	-87.3	-157.5
Overall gearing (times)	NM	NM
Interest coverage (times)	0.31	0.12

A: Audited; NM: Not Meaningful

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. 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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

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-Term Loan	-	-	March 2026	615.82	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	142.16	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	215.00	CARE D; 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-Term Loan	LT	615.82	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE D; ISSUER NOT COOPERATING* (08-Dec-17)	1)CARE D (01-Feb-17) 2)CARE D (17-Aug-16)
2.	Non-fund-based - ST-Letter of credit	ST	142.16	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE D; ISSUER NOT COOPERATING* (08-Dec-17)	1)CARE D (01-Feb-17) 2)CARE D (17-Aug-16)
3.	Fund-based - LT-Cash Credit	LT	215.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE D; ISSUER NOT COOPERATING* (08-Dec-17)	1)CARE D (01-Feb-17) 2)CARE D (17-Aug-16)

*Issuer did not cooperate; Based on best available information

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