



**National Steel & Agro Industries Ltd.**

14<sup>th</sup> February, 2017  
Ref. No.: NSAIL/SEC/2017

To,  
BSE Limited  
1<sup>st</sup> Floor, New Trading Ring,  
Rotunda Building, P J Towers,  
Dalal Street, Fort,  
Mumbai - 400 001

To,  
National Stock Exchange of India Limited  
'Exchange Plaza', C-1, Block G,  
Bandra - Kurla Complex,  
Bandra (E)  
Mumbai 400 051

**Sub: Rating by India Rating & Research**

**Ref: Regulation 30 of SEBI (LODR) Regulations, 2015.**

Dear Sir/Madam,

We would like to inform you that "India Rating & Research" has published rating of the Company at its website today. The summary of the rating is as under:

Instrument Type	Rating/ Outlook
Long-term Loan	IND BBB-/Stable
Fund-based working capital limit	IND BBB-/Stable
Non-fund-based working capital limit	IND A3
Proposed-fund-based working capital limit	Provisional IND BBB-/Stable

The communication published at the website of "India Rating & Research" is attached herewith.

Kindly take the same on your record.

Thanking you,  
Yours faithfully,  
For National Steel and Agro Industries Ltd.

Pankaj Gupta  
Company Secretary  
Membership No: ACS-15649



## India Ratings Assigns National Steel and Agro Industries 'IND BBB-'; Outlook Stable

# 14

By [Natasha Khemka](#)

FEB 2017

India Ratings and Research (Ind-Ra) has assigned National Steel and Agro Industries Limited (NSAIL) a Long-Term Issuer Rating of 'IND BBB-'. The Outlook is Stable. The instrument-wise rating actions are given below:

Instrument Type	Date of issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Long-term loan	-	-	1 April 2019	INR156	IND BBB-/Stable	Assigned
Fund-based working capital limits	-	-	-	INR2,006	IND BBB-/Stable	Assigned
Non-fund-based working capital limits	-	-	-	INR11,995	IND A3	Assigned
*Proposed fund-based working capital Limits	-	-	-	INR1,843	Provisional IND BBB-/Stable	Assigned

\*The final rating will be assigned upon receipt of sanction letter by the agency.

### KEY RATING DRIVERS

**Moderate Credit Profile:** The ratings reflect NSAIL's moderate credit profile. Based on unaudited 9MFY17 financials, net leverage (total adjusted net debt/operating EBITDAR) was at 2.2x (FY16: 2.7x, FY15:2.4x) and net interest coverage (operating EBITDAR/net interest expense+rents) was 1.4x (1.2x, 1.5x). The company reported revenue of INR30,639.2 million in 9MFY17 (FY16: INR37,503.1 million, FY15:38,838.7 million) resulting in higher EBITDA leading to improvement in credit metrics. Ind-Ra expects this improvement to be sustained in FY17.

While the net leverage is low, interest coverage remained moderate due to high financial charges on account of

non-fund based limits being used for imports and domestic purchases. However, the regular interest income that NSAIL earns on fixed deposits maintained with banks as margin money (against the non-fund-based limits) provides cushion for interest and debt servicing.

**Moderate Liquidity:** NSAIL's liquidity has been moderate with cash flow from operation of INR433 million in FY16 (FY15: INR477 million). Further the maximum average utilisation of the fund-based working capital limits is around 95% over the 12 months ended January 2017. The net working capital cycle remained moderate at 22 days in FY16 (FY15:23 days). The ratings draws support from low repayment obligation for term debt as 73% of the debt is working capital.

**Lower Forex Risk Owing to Natural Hedge:** NSAIL has some natural hedging advantage on its operations, and some hedging is by way of forward contracts. Its net unhedged forex exposure was only about of 5%-7% in FY16.

**Promoters' Strong Track Record:** NSAIL's promoters have been engaged in the business of iron and steel and trading of agro business for around three decades.

**Interim Relief by the Regulator:** NSAIL is currently facing scrutiny by Security Exchange Board of India (SEBI) which restrained the company from accessing security market in May 2016 in relation to a case of trading in castor seeds contracts at National Commodity & Derivatives Exchange limited (NCDEX). However, Ind-Ra also notes that NSAIL has received interim relief by the regulator permitting it to raise funds through qualified institutional placement which will be used to redeem 4% cumulative redeemable preference shares (resulting in deleveraging of the company), financing operations and other general corporate purposes. However, higher than anticipated cash outflow in the final SEBI order on account of compensation could be negative for the rating.

**Volatility in Commodity Prices:** The company is a price taker for its raw materials and finished goods and thus is susceptible to movements in commodity prices reflected in volatile EBITDA margin of 4.1% in FY16 (FY15: 4.8%, FY14: 5.4%).

## RATING SENSITIVITIES

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**Positive:** Sustained improvement in revenue and profitability leading to improved liquidity with net interest coverage above 2x would result in positive rating action.

**Negative:** Pressure in margins and increase in the working capital requirement leading to stress in liquidity would result in negative rating action.

## COMPANY PROFILE

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Incorporated in 1985 NSAIL is manufacturer of cold rolled sheet (300,000 metric tonne per annum (mtpa)), galvanised plain and corrugated sheets (330,000 mtpa), and colour coated sheets and coils (170,000 mtpa). Its plant is located in Dhar district of Madhya Pradesh. It is also engaged in the trading of agro and steel products. It also has a captive 6MW gas-based power plant.

## COMPLEXITY LEVEL OF INSTRUMENTS

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Bank facilities are instruments with low complexity levels, where the relationship between the inherent risk factors and intrinsic return characteristics is straightforward.

For more information, visit <https://www.indiaratings.co.in/complexity-indicators>

## SOLICITATION DISCLOSURES

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Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has six branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad and Kolkata. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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## Applicable Criteria

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[Corporate Rating Methodology](#)

## Analyst Names

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[Primary Analyst](#)

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