

BWR/NCD/HO/ERC/VS/0292/2017-18

July 28, 2017

The Director - Finance  
**Neelachal Ispat Nigam Limited**  
 IPICOL House Annexe Building,  
 Janpath, Bhubaneswar - 751022

Dear Sir,

**Sub: Rating Review of Neelachal Ispat Nigam Limited's Bond issue of Rs. 200 Crs (Rupees Two Hundred Crores Only) with a tenor up to 10 years.**

**Ref:** (i) Your mandate dated January 25, 2014 and (ii) Our previous Rating Letter BWR/NCD/HO/CRC/VS/0133/2016-17 dated June 24, 2016 advising reaffirmation of Ratings of BWR A+ (SO) (Outlook: Stable) for Bond issue of Rs. 200 Crs

The said Rating assigned to Bonds issue of your Company, **Neelachal Ispat Nigam Limited**, was due for annual review in June, 2017. Brickwork Ratings had taken up with the company over emails and through telephone calls to provide the required information. However, despite the best efforts of BWR to get at least the minimum required information for a review, the company has not provided the same. **Consequently Brickwork Ratings has reviewed the Rating for Neelachal Ispat Nigam Limited's Bond issue of Rs. 200 Crs based on best available information, due to non- co-operation from your end in providing the necessary information for review. Accordingly the rating for the said issue has been revised as follows:**

Instrument	Amount (Rs Crs)	Coupon	Maturity Date	ISIN Particulars	Rating	
					Previous	Present
NCD/Bonds	200.00	11.9% p.a.	27-Mar-2024	INE514Fo7083	BWR A+ (SO) (Outlook: Stable)	Issuer did not Co-operate; Based on best available information BWR A- (SO)  (Outlook: Stable)

Instruments with **BWR A- (SO)** rating are considered to have **adequate Degree of Safety** regarding timely servicing of financial obligations. Such instruments carry **low credit risk**.

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**Brickwork Ratings India Pvt. Ltd.**

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**Neelachal Ispat Nigam Limited**

A press release issued by us in this regard is enclosed for your information. We are also endorsing a copy of this letter along with a copy of the said press release to the Debenture Trustee for their information and records.

Brickwork Ratings would be happy to review the said rating provided required information and co-operation is received in the matter from your end.

Please acknowledge.

Best Regards,



**Vidya Shankar**  
**Chief General Manager – Ratings**

✓ **CC: Company Secretary, SBICAP Trustee Company Limited**  
Apeejay House, 6th Floor, 3, Dinshaw Wachha Road,  
Churchgate, Mumbai - 400 020



**Disclaimer:** Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.









## Rating Rationale

Neelachal Ispat Nigam Limited

28<sup>th</sup> July 2017

Brickwork Ratings has reviewed the Rating for the Non-Convertible Debentures/Bonds issue of Rs. 200.00 Crs of Neelachal Ispat Nigam Limited (NINL or the 'Company') based on best available information, as the issuer did not cooperate. Accordingly the rating for the said instrument is "BWR A- (SO)" (Outlook: Stable).

### Particulars

Instrument	Issue Date	Amount (Rs Crs)	Coupon	Maturity Date	ISIN Particulars	Rating*	
						Previous	Present
NCD/ Bonds	27-Mar-2014	200.00	11.9% p.a.	27-Mar-2024	INE514F07083	BWR A+ (SO)  (Outlook: Stable)	Issuer did not Co-operate; Based on best available information BWR A- (SO)  (Outlook: Stable)

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rating downgraded

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon only limited information available in public about the Company such as audited financial results up to FY16 and debenture trustee feedback regarding timely coupon payments. BWR has also considered the guarantor, MMTC Ltd's audited financial performance up to FY17 and other publicly available information.

The rating derives strength from the unconditional and irrevocable corporate guarantee extended by the parent company MMTC Ltd (rated CARE A/ A1, Jan 2017), structure of the bonds, and strong parental support enjoyed by the Company.

The rating revision factors the weak financial performance of MMTC Ltd in FY17 based on which its rating is assessed at A-/ A1 as per independent internal assessment by BWR, weak financial profile of NINL marked by declining revenues, continued net losses, high gearing levels, tight liquidity and fluctuations in raw material & finished goods prices impacting the margins.





### **Nature of Non-cooperation:**

The rating was due for a review in June 2017. BWR took up with the issuer to provide required information over emails and through telephone calls. Despite the best efforts of BWR to get at least the minimum required information for a review, the entity has not provided the same. In the absence of adequate information from the issuer/Company, BWR is unable to assess the issuer's/Company's current financial performance and its ability to service its debt and maintain a valid rating.

### **Limitations of the rating:**

Information availability risk is a key factor in the assessment of credit risk as generally, non-cooperation by the rated entities to provide required information for a review of the assigned rating may also be accompanied by financial stress.

### **About the Company**

Neelachal Ispat Nigam Limited was incorporated in 1982 as a wholly owned Central Government Company. In 1996, MMTC Limited and Industrial Promotion & Investment Corporation of Orissa Ltd (IPICOL) were inducted as main promoters of the Company with a shareholding of 49.78% and 15.29% respectively. NINL has set up a 1.1 million tonne integrated Iron and Steel Plant at Kalinganagar Industrial Complex in Orissa. NINL has its own captive power plant to meet the internal power requirement and air separation unit for producing oxygen, nitrogen and argon. NINL is having own captive iron ore mines which is under development. The Company has a MOU with its promoter company, MMTC Ltd for marketing all its products as an exclusive agent. MMTC Ltd takes a commission for all the sales and purchases done by NINL. NINL's key raw materials include Iron Ore and Coking coal.

### **MMTC Ltd**

MMTC Ltd is a public sector undertaking incorporated in Sep 1963. It is the largest international trading company in India and first PSU to be accorded the status of "Five Star Export House" by the Government of India (GoI). It has a wholly owned international subsidiary in Singapore to support its international trade.

MMTC Ltd's total operating income sharply decreased from Rs. 18284.28 Crs in FY15 to Rs. 12503.43 Crs in FY16 and further to Rs 11826.98 Crs in FY17. MMTC's net losses have widened from Rs 12.49 Crs in FY16 to Rs. 34.08 Crs in FY17. MMTC has a comfortable capital structure with no term loans. MMTC's net worth reduced from Rs 1268.32 Crs as on March 31, 2016 to Rs. 1200.74 Crs as on March 31, 2017.







### Company Financial Performance

NINL's revenue from operations decreased from Rs. 1243.95 Crs in FY15 to Rs. 1085.56 Crs in FY16. The Company's net losses widened from Rs. 232.67 Crs in FY15 to Rs. 334.53 Crs in FY16. The Company's tangible net worth is decreasing over the years, due to accumulated losses and the gearing level is increasing.

Slowdown in the steel industry scenario, significant increase in input prices, fall in finished product prices and other adverse market conditions led to the poor financial performance during FY15 and FY16. The performance in FY17 is expected to be on the same lines.

### Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument	Current Rating (Year 2017)			Rating History			
		Type	Amount (Rs Crs)	Rating	28 Jun 2016	2015	24 Dec 2014	25 Feb 2014
1.	NCD/Bonds	Long Term	200.00	BWR A- (SO) (Outlook: Stable)	BWR A+ (SO) (Outlook: Stable)		BWR A+ (SO) (Outlook: Stable)	Provisional BWR A+ (SO) (Outlook: Stable)

### Hyperlink/Reference to applicable Criteria / Policies

- General Criteria
- Approach to Financial Ratios
- What Constitutes Non-cooperation
- Manufacturing Companies

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**For print and digital media**

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

**DISCLAIMER**

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