

India Rating Places Nuvoco Vistas's Debt Instruments on Rating Watch with Developing Implications

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India Ratings and Research (Ind-Ra) has taken the following rating action on Nuvoco Vistas Corporation Limited's (NVCL) debt instruments:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Perpetual non-convertible debentures *	-	-	-	INR3	IND AA-/Rating Watch with Developing Implications	Placed on Rating Watch with Developing Implications
Fund-based/non-fund based working capital limits #	-	-	-	INR2.03	IND AA/Rating Watch with Developing Implications/ IND A1+	Long-term rating placed on Rating Watch with Developing Implications; short-term rating affirmed
Proposed fund-based/non-fund based working capital limits	-	-	-	INR1.41	IND AA/Rating Watch with Developing Implications/IND A1+	Long-term rating placed on Rating Watch with Developing Implications; short-term rating affirmed
Commercial paper (CP)	-	-	Up to 365 days	INR5	IND A1+	Affirmed

* The details in Annexure

#Limits are interchangeable between fund-based limits and non-fund-based limits

Analytical Approach

Ind-Ra continues to take a consolidated view of NVCL and its 100% subsidiary, Nu Vista Limited (NVL), while arriving at the ratings on account of the strong operational and strategic linkages between them.

Subordinated Debt Rating Notched Down: The perpetual NCDs are subordinated debt. The rating of these NCDs reflects their loss-absorbing features and the ability to cumulatively defer coupons payable. However, Ind-Ra has now revised its analytical treatment of the perpetual NCDs and considered the same as 100% debt given the relaxation of the replacement capital covenant and the likely exercise of the call option due in 2027.

Detailed Rationale of the Rating Action

Ind-Ra has placed the long-term ratings on Rating Watch with Developing Implications as NVCL emerged as the Successful Resolution Applicant of Vadraj Cement Limited (VCL) which is currently undergoing a Corporate Insolvency Resolution Process. The resolution plan, submitted by Nuvoco, has been approved by the Committee of Creditors, and the company received the letter of intent on 6 January 2025. The resolution plan is subject to approval of the National

Ind-Ra believes that the acquisition will strengthen NVCL's business profile by increasing its scale and diversification. With this transaction, the agency expects NVCL's consolidated cement capacity to increase to around 31 million tonnes (mnt; FY24: 25 mnt) and strengthen its market position. Furthermore, the acquisition will help NVCL establish its manufacturing presence in the western region, thereby increasing its geographical reach. Post-acquisition, the share of the eastern region is likely to reduce to around 60% while the northern and the western regions would account for around 40% of the total capacity. In addition to a better market access, the management expects substantial synergies with its existing facilities at Nimbol and Chittorgarh, Rajasthan, resulting in enhanced operational efficiencies.

VCL has a 6mnt cement and 3.5mnt clinker facility in Gujarat. It also owns high quality limestone reserves to ensure consistent growth while the captive jetty at Kutch would further enhance logistical efficiencies.

The transaction will be implemented through Vanya Corporation Private Limited, a wholly owned subsidiary of NVCL. The target date to commence production is around 3QFY27, subject to regulatory approvals over the next six-to-nine months. The management intends to fund the transaction without a significant rise in its consolidated debt levels. However, a clarity on the financial profile post-acquisition will emerge over the next few months after the funding mix is finalised. Ind-Ra will monitor the progress on the transaction and the resultant impact on the credit profile of NVCL.

List of Key Rating Drivers

Not applicable

Detailed Description of Key Rating Drivers

For the detailed rationale, please [click here](#).

Liquidity

Adequate: NVCL had consolidated cash and equivalents of around INR1 billion at end-September 2024 (FYE24: INR1.07 billion), along with unused working capital limits of around INR8 billion. The company's consolidated free cash flow remained healthy at INR5.1 billion in FY24 (FY23: INR7.6 billion) due to the high operational EBITDA. The company is likely to incur capex of around INR3 billion-4 billion in FY25, mainly toward its on-going railway siding at Sonadih and Jajpur and for efficiency and maintenance capex. On average, NVCL utilised less than 50% of the sanctioned limits over the 12 months ended September 2024, most of which was used in the form of non-fund-based limits. The company has scheduled repayments of close to INR24 billion cumulatively over FY25-FY26. Ind-Ra opines NVCL's operational cash flows and available liquidity will be sufficient to meet its scheduled debt obligations over the near to medium term. Furthermore, NVCL has additional financial flexibility from being a part of the Nirma Group.

Rating Sensitivities

The Rating Watch with Developing Implications indicates that the ratings could be upgraded, downgraded or affirmed upon resolution. Ind-Ra will resolve the Rating Watch on receiving clarity on its post-acquisition credit profile.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on NVCL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please [click here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please [click here](#).

About the Company

NVCL had a consolidated total capacity of 25mnt of cement (NVCL: 16.7mnt, NVL: 8.3mnt) and 13.5mnt of clinker at end-FY24, spread across eastern and northern India.

Key Financial Indicators

NVCL-Consolidated*

Particulars	FY24	FY23
Net revenue (INR billion)	107	106
EBITDA (INR billion)	16	12
EBITDA/mt (INR/mt)	865	644
EBITDAR interest coverage (x)	3.0	2.4
Net leverage	2.4	3.6
Source: NVCL, Ind-Ra		
*As per Ind-Ra calculations		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Ratings	Historical Rating/Outlook				
				12 November 2024	16 November 2023	26 September 2023	17 November 2022	18 November 2021
Issuer rating	Long-term	-	-	-	-	WD	IND AA/Positive	IND AA/Positive
Commercial paper	Short-term	INR5	IND A1+	IND A1+	IND A1+	-	IND A1+	IND A1+
Fund-based/non-fund-based working capital limit	Long-term/Short-term	INR3.44	IND AA/Rating Watch with Developing Implications/ IND A1+	IND AA/Stable/IND A1+	IND AA/Positive/ IND A1+	-	IND AA/Positive/ IND A1+	IND AA/Positive/ IND A1+
Perpetual non-convertible debentures	Long-term	INR3	IND AA-/Rating Watch with Developing Implications	IND AA-/Stable	IND AA-/Positive	-	IND AA-/Positive	IND AA-/Positive
Non-convertible debentures programme	Long-term	INR30	-	-	-	-	WD	IND AA/Positive

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Commercial paper	Low
Fund/non-fund based working capital limit	Low
Perpetual non-convertible debentures (NCDs)	Low
Proposed fund/non-fund based working capital limit	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Perpetual NCD- Tranche 2	INE118D08045	6 July 2017	10.15	6 July 2077	INR3	IND AA-/ Rating Watch with Developing Implications

Source: NSDL

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

Policy for Placing Ratings on Rating Watch

The Rating Process

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