



## Press Release

**Nipman Fastener Industries Private Limited**

**November 17, 2020**

### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Bank Facilities- Long Term	120.00	IVR B+ (IVR B Plus)
	<b>Total</b>	<b>120.00</b>	

**Details of Facilities are in Annexure 1**

### Detailed Rationale

- The rating assigned to the bank facilities of Nipman Fastener Industries Private Limited derives comfort from its experienced promoter, established clientele and relationship, good technological abilities. The rating also considers decline in operating performance in FY20 and expected further moderation in financial performance in FY21, exposure to volatility in raw material prices, intense competition among players, working capital intensive operations and leveraged capital structure and moderate debt protection metrics.

### Upward Rating Factors

- Growth in scale of operations with improvement in profitability on a sustained basis
- Improvement in the capital structure with overall gearing ratio to improve to below 2x along with improvement in debt protection metrics
- Improvement in operating cycle with improvement in liquidity

### Downward Rating Factors

- More than expected contraction in operating revenue in FY21
- Elongation in working capital cycle affecting the liquidity profile
- Weakening in the capital structure and/or debt protection metrics

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- Experienced promoter



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The promoter, Mr. Pravin Malhotra has a long track record of successfully managing businesses. He has significantly contributed to the business and the industry at large by participating in various forums in different capacities. He belongs to the country's well known business family of Munjals, the promoters of 'Hero Group'.

- **Established clientele and relationship**

The company has a track record of over two decades in manufacturing fasteners and has a client base with some of reputed names like Hero Moto Corp Ltd and Renault Nissan Automotive. This is a strength for the company considering the B2B nature of the business.

- **Good technological abilities**

The company is capable of manufacturing auto components using the latest available technology. Its facilities house single and double acting pneumatic, power and hydraulic presses in capacities ranging from 10 tonnes to 1000 tonnes, CNC bending machines, machining centers and other pre machining facilities.

### **Key Weaknesses**

- **Decline in operating performance in FY20 and expected further moderation in financial performance in FY21**

NFIPL witnessed significant decline in FY20 driven by slowdown in automobile industry and impact of global pandemic due to Covid-19. The operating revenue of the company weakened from Rs. 259.07 crore in FY19 and stood at Rs. 147.39 crore in FY20. Further, amidst nationwide lockdown in the first quarter, the overall performance of the company is also expected to remain muted and Infomerics expected further moderation in FY21.

- **Exposure to volatility in raw material prices**

The key raw material used by the company – steel is an internationally traded commodity. Its prices are driven by demand supply situation in international markets and are susceptible to volatility. Procurement contracts in the automobile industry are executed for the long term and are revised for any price revisions in raw material prices. Though, the company can



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pass on the impact of raw material price changes to its clientele, its margins still continue to be susceptible to volatility.

- **Intense competition among players**

The company is engaged in manufacturing of standard and special fasteners for automotive application, engine studs for two wheeler , other cold forged components. With the growing number of players in India and abroad, this creates a pressure on market participants to supply quality goods at competitive prices. Additionally other South East Asian countries are rapidly coming up in terms of technology, value engineering and price competitiveness – further increasing competition for the firm and the industry at large.

- **Working capital intensive operations**

In order to remain competitive with other players in domestic market, the company needs to extend longer credit to its clients. However, the same is mitigated significantly by availing long credit from its suppliers. The average fund based working capital limit utilisation during the last 12 months ending September 2020 was high at ~97%.

- **Leveraged capital structure and moderate debt protection metrics**

NFIPL has a moderate capital structure marked by an overall gearing ratio and TOL/ANW of 3.18x and 5.44x respectively as on March 31, 2020 as compared to 3.61x and 5.83x respectively as on March 31, 2019. The company's debt protection metrics are moderate marked by interest coverage ratio of 1.23x and Total debt to EBITDA at 5.44x in FY20.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

**Liquidity: Adequate**

The liquidity profile of NFIPL is expected to remain poor marked by its expected weak financial performance in FY21. Further, its debt repayment obligations are also on the higher side in the range of Rs.8.44 -15.39 crore in FY21-FY23. Besides the average utilization of its



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fund based limits of the company during the past twelve months ended September 2020 remained high at ~97% indicating a limited buffer.

### About the Company

Incorporated in 1997, New delhi based Nipman Fastener Industries Pvt. Ltd. was promoted by Mr. Pravin Malhotra, a post graduate in Business Administration and having a long track record of successfully managing businesses. The core business of the company is manufacturing of Standard and Special fasteners for automotive application, Engine studs for two wheeler, other cold forged components. Company's products are mainly used in automotive engines, transmission, suspension, steering assembly, safety systems and various other sub-assemblies of 2 wheelers and 4 wheelers.

### Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	259.07	147.39
EBITDA	33.47	26.50
PAT	-20.81	-0.87
Total Debt	160.27	144.06
Tangible Net worth*	44.39	45.34
EBITDA Margin (%)	12.92	17.98
PAT Margin (%)	-8.01	-0.59
Overall Gearing Ratio (x)^	3.61	3.18

\*Unsecured loans from promoters subordinated to the bank are treated as quasi equity

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	53.50	IVR B+/Stable	-	-	-



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2.	Term Loan	Long Term	66.50	IVR B+/Stable	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	53.50	IVR B+/Stable
Long Term Bank Facilities- Term Loan	-	-	April, 2024	66.50	IVR B+/Stable