



Press Release

Nickunj Eximp Enterprises Private Limited

April 28, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	24.50	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	Revised
2.	Short Term Bank Facilities	9.00	IVR A4 (IVR A Four)	Revised
	Total	33.50		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Nickunj Eximp Enterprises Private Limited (NEEPL) derive comfort from extensive experience of its promoters with demonstrated track record and reputed clientele base. The ratings also positively factors in the moderate order book position of the company. However, the rating strengths are partially offset by continuous moderation in its scale of operation, exposure to government regulations and foreign currency fluctuations, moderate debt protection metrics and working capital intensive nature of operations.

Key Rating Sensitivities:

Upward Factor:

- Sustenance of growth in scale of operations with improvement in profitability
- Sustenance of the capital structure
- Improvement in cash conversion cycle

Downward factor:

- Any deterioration in liquidity profile
- Moderation in the capital structure with deterioration in overall gearing to more than 1x
- Further stretch in operating cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths



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Extensive experience of the promoter

Mr. Nickunj Shah (Founder, Chairman & Managing Director) has long standing experience of about 37 years in sales, marketing, and distribution of Hi-tech products. Mr. Shah started early in life helping his father in the business of crucibles for the non-ferrous industry and gradually transformed the company from a product supplier to holistic end-to-end solutions provider.

Demonstrated track record with reputed clientele base

NEEPL has demonstrated track record and received awards and accolades from some of the prestigious institutions: Government of India, Ministry of Defense w.r.t our supplies for Mission AGNI and A3-02, Indian Space Research Organization ISRO for Chandrayan and L&T Heavy Engineering for Akash Missiles. Further, the company had supplied some materials to ISRO and had received commendation letters for Chandrayan-1 mission where the company had contributed substantially.

Key Rating Weaknesses

Continuous moderation in scale of operation

The company witnessed continuous moderation in its total operating income over the past three years from Rs.193.99 crore in FY18 to Rs. 66.20 crore in FY20. NEEPL is into niche market of trading Hi-tech Industrial products and the moderation is mainly attributable to low demand in industrial components manufacturing sector driven by less capex investments by domestic manufactures. Dampening sales realisations further fuelled the moderation in total operating income during the aforesaid period. However, despite moderation in its total operating income the EBITDA margin witnessed improvement from 3.37% in FY18 to 8.74% in FY20 mainly driven by execution of selective high margin orders. The PAT margin though remained thin has also improved from 0.67% in FY18 to 0.76% in FY20.

Exposure to foreign currency fluctuation risk and government regulations

The entity is mainly importing products from Italy and Germany.. All the sales however are concentrated to the domestic market across India. As a result of foreign procurements and no proper hedging mechanism, the entity is exposed to foreign exchange fluctuation risk. Revenue is further susceptible to government regulatory policies in relation to



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import-export duties, custom duties, restriction on volume of imports, freight rates, port charges etc.

Working capital intensive nature of operations

The operations of the company are working capital intensive marked by its high debtor's collection period and inventory holding requirements for prompt supply of its traded materials. The entity needs to procure its main trading materials mostly on advance basis or with minimum credit period and on the other hand must extend higher credit period to its customers due to slower demand in the industry. The operating cycle of the company deteriorated from 189 days in FY19 and stood elongated at 382 days in FY20. However, the counter party default risk is on the lower side as 25% of the business is tender based is coming from Government of India and further, long term relationship with the customers mitigates the risk of bad debt to a certain extent. The company is largely dependent on bank borrowings to fund its working capital requirements and the average fund-based limit utilisations remained almost full during the past 12 months ended in January 2021.

Average financial risk profile marked by moderate gearing and moderate debt protection metrics

The financial risk profile of the company remained average backed by negligible long-term debt in the capital structure with minimal debt repayment obligation in the near term. However, due to its high dependence on bank borrowings the overall gearing ratio of the company stood moderate at 1.02x as on March 31, 2020. Moreover, the total indebtedness of the company also remained high at 2.91x as on March 31, 2020. The interest coverage ratio remained comfortable but decreased from 1.33x in FY18 to 1.13x in FY20.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)



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Liquidity – Adequate

The liquidity position of the entity is expected to remain stretched in near to medium term due to its low cash accruals coupled with working capital-intensive nature of operations and higher reliance on bank borrowings to fund the working capital requirements. However, absence of long-term debt repayment obligation imparts some comfort. Its capex requirements are modular. Its bank limits are highly utilized to the extent of 99% and has sought reduction in bank lines, supported by unity current ratio. The company has free cash and cash equivalents aggregating to Rs. 6.41 crore as on date.

About the Company

Nickunj Eximp Enterprises Private Limited (NEEPL), incorporated in 1987 was promoted by Mumbai based Mr. Nickunj Shah along with his family members. The company offers a wide range of hi-tech industrial products under five different business segments such as Advanced Engineering solutions, High Temperature Solutions, EDM Solutions, Metal cutting solutions and Jewellery manufacturing solutions.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	135.82	66.20
EBITDA	6.94	5.78
PAT	1.30	0.51
Total Debt	40.18	34.99
Adjusted Tangible Net worth	31.69	29.79
EBITDA Margin (%)	5.11	8.74
PAT Margin (%)	0.95	0.76
Overall Gearing Ratio (x)	1.04	1.02

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	24.50	IVR BB-/ Stable (IVR Double B Minus with Stable outlook)	-	IVR BB/ Stable (IVR Double B with Stable Outlook)	-
2.	Bank Guarantee	Short Term	9.00	IVR A4 (IVR A Four)	-	IVR A4 (IVR A4)	-

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.

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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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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- CC	-	-	-	24.50	IVR BB-/Stable
Short Term Bank Facilities – LC/BG	-	-	-	9.00	IVR A4

Annexure 2 : facility wise lender details(Hyperlink to be added)

<https://www.infomerics.com/admin/prfiles/Lender-Nickunj-Eximp-Enterprises-Private-Limited-28-Apr-21-.pdf>