



Press Release

Nahars Engineering India Private Limited

August 08, 2022

Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loan	77.83	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)	Assigned	Simple
Long Term Fund Based Bank Facilities – Cash Credit	50.00	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term Non Fund Bank Facilities- Bank Guarantee	64.50	IVR A3+ (IVR A Three Plus)		
Total	192.33			

Details of Facilities are in Annexure 1

Detailed Rationale:

The ratings assigned to the bank facilities of Nahars Engineering India Private Limited derive strength from group's long operational track record and experienced promoters, long & established relationship with reputed clientele (Auto OEM's), and healthy financial risk profile however, the rating strengths are partially offset by customer concentration risk, Revenue profile exposed to cyclicity inherent in auto industry and Exposure to intense competition

Key Rating Sensitivities:

Upward Factors:

- Continuing its operating growth and margins would be crucial for the company to improve its liquidity position

Downward Factors:

- Deterioration in scale of operation coupled with deterioration in profitability on a sustained basis.

Key Rating Drivers with detailed description



Press Release

Key Rating Strengths:

Long operational track record and experienced promoters:

The Laxmi group is promoted by the Aurangabad-based Nahar family, which has an experience of more than three decades in the manufacturing of various automobile components. The Laxmi Group comprises four companies viz. Laxmi Metal Pressing Works Private Limited (LMPWPL), Laxmi Rikshaw Body Private Limited (LRBPL), Nahars Engineering India Private Limited (NEIPL), and Luminaz Safety Glass Private Limited (LSGPL). The customer base of the group is reputed automobile OEM's such as Bajaj Auto Limited (BAL) & TVS etc. The group's established track record of operations and the promoters' long experience in the business strengthen its operational profile.

Long and established relationship with reputed clientele:

The client base of the Group includes reputed automobile OEMs in such as BAL, Ashok Leyland Ltd., TVS, Toyota and Daimler Benz. The group has enjoyed relationships of over 15–20 years with its clients. The established relationships with its customers and limited churning in its customer base have ensured significant repeat business.

Healthy financial risk profile:

Financial risk profile is marked by healthy net worth, comfortable capital structure and adequate debt protection metrics. Net worth of the group remains healthy at Rs. 198.74 Cr as on March 31, 2022, Provisional. With profit accretion of around Rs. 18-20 Cr every year, net worth is expected to be around Rs. 220-280 Cr over the medium term. Capital structure after deducting the revaluation reserve from tangible net worth remains modest with gearing of 2.75 times as on March 31, 2022, Provisional. However, after revaluation reserve added back to tangible net worth gearing ratio improves to 1.53 times in FY 2022. With no major debt funded capex plans and healthy build-up of net worth, gearing is expected to be below 2.00x in medium term. Debt protection metrics remain adequate with interest cover of around 2.84 times in FY2022. Debt protection metrics are expected to remain comfortable over the medium term.

Key Rating Weaknesses:

Customer concentration risk:

Laxmi's group business is exposed to customer concentration risk since Bajaj Auto Limited BAL accounted for ~60% of its FY21 revenues. However, the said risk is offset to a greater extent by various factors like dependency of BAL, declaration of LMPWPL as Lifetime Source



Press Release

by BAL and TVS, two-decade long relationship and a strong credit profile of BAL. Going ahead the customer concentration risk will be reduce with Bajaj Auto contributing 30%, TVS contributing 30%, contributing 30% and rest coming from other OEMs like Toyota, Ashok Leyland, M&M etc.

Revenue profile exposed to cyclicity inherent in auto industry:

Given the operational exposure of Laxmi group towards the auto sector, its business performance is closely linked with the performance of the sector in general. Many of the segments within the industry show an inherent cyclicity in demand, which may result in scattered revenue generation for Laxmi group, in line with the industry trend. Further, any substantial slowdown in the auto industry could have a severe impact on the business operations of Laxmi group.

Exposure to intense competition:

The Indian Auto ancillary industry is highly fragmented and competitive due to the presence of numerous players. This restricts Laxmi group's operating and financial flexibility.

Analytical Approach: Consolidated

Infomerics Ratings has taken consolidated approach of evaluation by combining the financial results of Laxmi Metal Pressing Works Private Limited (LMPWPL), Laxmi Rikshaw Body Private Limited (LRBPL), Nahars Engineering India Private Limited (NEIPL) and Luminaz Safety Glass Private Limited (LSGPL) collectively referred to as the Laxmi group, as the companies are in same line of business having common management and significant operational & financial linkages.

Applicable Criteria:

Rating Methodology for [Manufacturing Companies](#).

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Guidelines on what constitutes Non-Cooperation by clients](#).

Liquidity: Adequate

The group maintains adequate cash and bank balance to meet its liquidity requirement. The Group has a Cash & Bank balance of INR 24.45 crore in FY22 (Prov.) & The company is expected to generate net cash accruals worth Rs.71.67 crore and Rs.79.35 crore in FY23 and FY24 respectively, which will be sufficient to repay the debt obligations. Group has modest



Press Release

average working capital utilisation at 50% during the 12 months ended May 31, 2022, provides sufficient cushion for liquidity in near term. Further, with no significant debt funded capex or working capital limit availment provides adequate liquidity for the group in near term.

About the Group:

The Laxmi group consists of 4 companies namely Laxmi Metal Pressing Works Pvt. Ltd, Nahars Engineering India Pvt. Ltd, Laxmi Rickshaw Body Pvt. Ltd and Luminaz Safety Glass Pvt. Ltd. M/s Laxmi Metal Pressing Works Pvt. Ltd. was incorporated on January 02, 1996 by Mr. Subhash & M. Nahar. For the past 4 decades, it has been in manufacturing of Stampings, Tubular and Sheet Metal Assemblies, BIW Parts and Mufflers (Silencers) in India being supplied to leading Indian Automotive Manufacturers (OEMs). The group has also diversified into manufacturing of Laminated and Toughened automotive glasses for passenger and commercial vehicles.

About the Company:

Nahars Engineering Pvt Ltd is in Windshield Assembly line, and 22 Robots for manufacturing 3WH body and 3WH windshield Frame.

Financials: Consolidated

(INR Crore)

For the year ended/ As On	31-03-2021 (Audited)	31-03-2022 (Provisional)
Total Operating Income	656.76	1033.57
EBITDA	65.49	86.75
PAT	0.62	18.90
Total Debt	492.31	547.32
Tangible Net-worth*	143.44	198.74
Ratios		
EBITDA Margin (%)	9.97	8.39
PAT Margin (%)	0.09	1.82
Overall Gearing Ratio* (x)	3.43	2.75

* Classification as per Infomerics' standards

Financials: Standalone

For the year ended/ As On	31-03-2021 (Audited)	31-03-2022 (Provisional)
Total Operating Income	448.66	689.29
EBITDA	36.34	45.98
PAT	-2.20	13.07
Total Debt	177.52	168.51



Press Release

Tangible Net-worth*	45.49	58.56
Ratios		
EBITDA Margin (%)	8.10	6.67
PAT Margin (%)	-0.49	1.89
Overall Gearing Ratio* (x)	3.90	2.88

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

(INR Crore)

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding	Rating	Date(s) & Rating(s) assigned in 20-21	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Long Term Fund Based Bank Facilities – Term Loan	Long Term	77.83	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)	--	--	--
2	Long Term Fund Based Bank Facilities – Cash Credit	Long Term	50.00	IVR BBB /Stable Outlook (IVR Triple B with Stable Outlook)	--	--	--
3.	Short Term Non Fund Bank Facilities- Bank Guarantee	Short Term	64.50	IVR A3+ (IVR A Three Plus)			



Press Release

Name and Contact Details of the Rating Team:

Name: Harshal Abhyankar

Tel.: (022) 6239 6023

Email: harshal.abhyankar@infomerics.com

Mr. Noman Agashiwala

Tel.: (022) 6239 6023

Email: noman.agashiwala@infomerics.com

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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

Annexure 1: Details of Facilities:

(INR Crore)

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility	Rating Assigned/ Outlook
Long Term Fund Based Facility – Term Loan	--	--	--	77.83	IVR BBB/ Stable
Long Term Fund Based Facility – Cash Credit	--	--	--	50.00	IVR BBB/ Stable
Short Term Non Fund Bank Facilities- Bank Guarantee	--	--	--	64.50	IVR A3+

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Consolidated Approach
Laxmi Metal Pressing Works Private Limited	Full*
Laxmi Rikshaw Body Private Limited	Full*
Luminaz Safety Glass Private Limited	Full*
Nahars Engineering India Private Limited	Full*

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Nahars-Engineering-aug22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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

<https://www.infomerics.com/>.