



Press Release

Nahars Engineering India Private Limited (NEIPL)

September 04, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	79.19	IVR BB/ Stable (IVR Double B with Stable outlook)	IVR D	Upgraded and Outlook assigned	Simple
Long Term Bank Facilities	10.71	IVR BB/ Stable (IVR Double B with Stable outlook)	-	Assigned	Simple
Short Term Bank Facilities	64.52	IVR A4+ (IVR A Four Plus)	IVR D	Upgraded and Outlook assigned	Simple
Total	154.42	(Rupees One Hundred Fifty Four Crore and Forty Two Lakh only)			

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2.

Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has upgraded its rating and assigned a stable outlook to the bank facilities of NEIPL, reflects regular repayment of term loan instalments since 1st April 2024 till date. The ratings continue to derive strengths from strong revenue growth, stable profitability, established relationships with reputed Original Equipment Manufacturers (OEMs), as well as improvements in the business risk profile and a diversified product portfolio catering to different segments of the automobile sector. However, these rating strengths are partially constrained by a moderate credit profile, exposure to customer concentration risk, and vulnerability to the cyclical nature of the automotive industry.

The outlook is "Stable" reflects as the company is expected to benefit from its experienced promoters and expected moderate financial risk profile over the medium term.

Key Rating Sensitivities:

Upward Factors

- Substantial increase in revenues and profitability, improving debt protection metrics and liquidity profile on a sustained basis.



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Downward Factors

- Deterioration in revenues and profitability, deteriorating debt protection metrics and liquidity profile of the company.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong Revenue growth and stable profitability

Laxmi Group's TOI grew by 20% y-o-y basis to Rs. 1,417.86 crore for FY24(P) (period refers to April 1, 2023, to March 31, 2024), driven by timely order execution. EBITDA margins marginally improved to 7.52% in FY24(P), compared to 6.94% in FY23. Infomerics expects the group's total operating income to grow steadily through FY25-FY27, supported by expected healthy orders from OEM's. EBITDA margins are anticipated to remain at FY24 (P) levels, with the ability to pass on raw material price increases to customers.

Established relationship with reputed OEM's and improvement in business risk profile

Laxmi Group caters to established OEMs, with Bajaj Auto Ltd. (BAL) as a key revenue contributor, followed by Honda Motorcycle & Scooters India Pvt. Ltd.(Honda) and TVS Motor Company Limited(TVS). Strong relationships and low customer turnover have secured significant repeat business. Business risk profile is expected to sustain supported by established position in the auto component business, focus on innovative product solutions, longstanding association with reputed OEMs such as BAL, TVS, Honda and addition of new reputed customers.

Diversified product portfolio catering to different segments of automobile sector

Laxmi Group has a diverse product range, including two-wheeler frames, chassis, mufflers, three-wheeler bodies, and parts. The two-wheeler segment accounts for 44% of the revenue for FY24, while balance revenue is from three-wheeler segment. The group also specializes in auto assemblies, sheet metal assemblies, and windshield assemblies, helping to diversify their revenue streams.



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Key Rating Weaknesses

Moderate credit profile

Credit profile of the group though improved remains moderate, with a net worth of Rs 388.15 crore and moderate capital structure reflected by overall gearing and TOL/TNW of 0.98x and 1.73x respectively as on March 31, 2024 (31st March 2023: 1.13x & 1.20x respectively). Debt protection metrics remained moderate with interest coverage and DSCR ratio of 2.91x and 1.23x, respectively, in FY24(P) (FY23: 1.26x & 0.90x).

Exposure to customer concentration risk

Laxmi Group derives around 45% of its revenue from Bajaj Auto Limited (BAL) and about 19% each from Honda Motorcycle & Scooters India Pvt. Ltd and TVS Motor Company Limited (TVS). A decline in revenue from these key customers could significantly weaken the business risk profile. However, this risk is mitigated to a large extent by the two-decade-long relationships with BAL and TVS, their strong credit profiles, and the increased share of other OEMs such as Toyota and M&M.

Exposed to cyclicity in automotive 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.

Analytical Approach: Combined

For arriving at the rating, Infomerics has combined the financial risk profiles of the Laxmi Group- 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), as the companies are in same line of business having common management and significant operational & financial linkages.



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Applicable Criteria:

[Rating methodology for manufacturing Sector companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post-default Curing Period](#)

[Rating criteria for Consolidation of Companies](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

Laxmi group's is expected to maintain an adequate liquidity profile, as its projected gross cash accrual for FY25-FY27 is estimated to be around Rs. 76.51 – 102.44 crore, which should comfortably cover its debt repayments ranging from Rs.36.58 crore to Rs.47.97 crore in FY25 to FY27. The company has modest cash & bank balance of Rs. 9.98 crore (Free cash + Margin money) as on March 31, 2024(P). The cash credit utilization stood at ~64% during last twelve months ended June 30, 2024, indicating sufficient liquidity buffer.

About Group

The Laxmi Group (LG) is promoted by Mr. Subhash M. Nahar with considerable experience in the automotive industry. The group is engaged 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.



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Financials (Combined):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Unaudited	Unaudited
Total Operating Income	1183.89	1417.86
EBITDA	82.13	106.58
PAT	42.77	37.18
Total Debt	402.92	382.06
Tangible Net Worth	355.71	388.15
EBITDA Margin (%)	6.94	7.52
PAT Margin (%)	3.61	2.61
Overall Gearing Ratio (x)	1.13	0.98
Interest Coverage (x)	2.26	2.91

* As per Infomerics Standard

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 Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date (Apr 08, 2024)	Date (Oct 17, 2023)	Date (Aug 08, 2022)	-
1.	Term Loan	Long Term	34.90	IVR BB/stable	IVR D	IVR BBB- / Negative; ISSUER NOT COOPE RATING*	IVR BBB/ Stable	-
2.	Term Loan	Long Term	0.71	IVR BB/stable	-	-	-	-
3.	Cash Credit	Long Term	55.00	IVR BB/stable	IVR D	IVR BBB- / Negative; ISSUER NOT COOPE RATING*	IVR BBB/ Stable	-



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
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					Date (Apr 08, 2024)	Date (Oct 17, 2023)	Date (Aug 08, 2022)	-
4.	Cash Credit	Long Term	10.00	IVR BB/stable	-	-	-	-
5.	Letter of Credit	Short Term	64.52	IVR A4+	IVR D	IVR A3; ISSUER NOT COOPE RATING*	IVR A3+	

**Issuer did not cooperate; Based on best available information*

Analytical contacts

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan -1	-	-	-	12.09.2027	4.85	IVR BB/Stable
Term Loan -2	-	-	-	02.08.2029	29.34	IVR BB/Stable
Term Loan -1	-	-	-	05.01.2026	0.71	IVR BB/Stable
Cash Credit	-	-	-	-	55.00	IVR BB/Stable
Bank Guarantee	-	-	-	-	64.52	IVR A4+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Nahars-Engineering-sep24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for combined analysis:

Name of the company	Extent of Combination
Laxmi Metal Pressing Works Private Limited	Full



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Laxmi Rikshaw Body Private Limited	Full
Luminaz Safety Glass Private Limited	Full
Nahars Engineering India Private Limited	Full

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.

