



## Press Release

**Nickunj Eximp Enterprises Private Limited**

**03<sup>rd</sup> June 2022**

### **Ratings**

| <b>Sl. No.</b> | <b>Instrument/Facility</b> | <b>Amount (Rs. Crore)</b> | <b>Current Ratings</b>                                   | <b>Previous Ratings</b>                                  | <b>Rating Action</b> | <b><a href="#">Complexity Indicator</a></b> |
|----------------|----------------------------|---------------------------|--|--|----------------------|---|
| 1.             | Long Term Bank Facilities  | 24.50                     | IVR BB-/ Stable (IVR Double B Minus with Stable Outlook) | IVR BB-/ Stable (IVR Double B Minus with Stable Outlook) | Reaffirmed           | Simple                                      |
| 2.             | Short Term Bank Facilities | 9.00                      | IVR A4 (IVR A Four)                                      | IVR A4 (IVR A Four)                                      | Reaffirmed           | Simple                                      |
|                | <b>Total</b>               | <b>33.50</b>              |  |  |                      |   |

**Details of Facilities are in Annexure 1.**

### **Detailed Rationale**

The rating reaffirmation of **Nickunj Eximp Enterprises Private Limited** considers the moderation in overall financial risk profile and performance in FY21 & FY22 (Estimated). The ratings 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



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- 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

- **Extensive experience of the promoter**

Mr. Mishal Shah (Managing Director) has long standing experience of about 11 years in sales, marketing, and distribution of Hi-tech products. Mr. Mishal 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. He eventually took over the operations after the death of Mr. Nickunj Shah.

- **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.

- **Moderate order book position**

The company has orders on hand amounts to Rs.17.25 Cr majority of which is to be executed in the first quarter of FY23 indicating satisfactory near to medium-term revenue visibility.

#### Key Rating Weaknesses

- **Continuous decline in scale of operation due to Covid 19**

The company has been witnessing decline in its total operating income over the past three years from Rs. 66.2 Cr in FY20 to Rs 48.2 Cr in 2021. Reason being the decline in its operations due to covid 19 pandemic. 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. However, despite moderation in its total operating income the EBITDA margin witnessed improvement



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from 8.74% in FY20 to 9.09% in FY21 mainly driven by lower cost of production. The PAT margin though remained thin has also improved from 1.01% in FY20 to 1.39% in FY21.

- **Exposure to foreign currency fluctuation risk and government regulations**

The entity is mainly importing products from Italy and Germany. Its import procurements constitute 30% of its total purchases. 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 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 has to extend higher credit period to its customers due to slower demand in the industry. The operating cycle of the company deteriorated from 382 days in FY20 and to 530 days in FY21. However, the counter party default risk is on the lower side as 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.

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

The financial risk profile of the company remained moderate because of fresh loan taken of Rs. 5.00 crore in FY21. However, due to its high dependence on bank borrowings the overall gearing ratio of the company stood moderate at 1.38x as on March 31, 2021. Moreover, the total indebtedness of the company also remained high at 2.31x as on March 31, 2021. The interest coverage ratio remained comfortable but decreased from 1.34x in FY21 to 1.23x in FY20. However, due to its low accruals, total debt to GCA remained high at 36.94 years in FY21.

**Analytical Approach:** Standalone Approach



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### Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

### **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, lower current obligations in FY 21 of Rs 0.14 Cr as against the gross cash accruals Rs 1.01 Cr may not pose the immediate impact in the short term. Its capex requirements are modular. The company has free cash and cash equivalents aggregating to Rs. 5.03 crore as per audited FY 21 financials.

### **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)    |                |
|-----------------------------|----------------|----------------|
|                             | 31-03-2020     | 31-03-2021     |
|                             | <b>Audited</b> | <b>Audited</b> |
| Total Operating Income      | 66.20          | 48.60          |
| EBITDA                      | 5.78           | 4.42           |
| PAT                         | 0.51           | 0.49           |
| Total Debt                  | 34.99          | 37.39          |
| Adjusted Tangible Net worth | 31.31          | 31.44          |
| EBITDA Margin (%)           | 8.74%          | 9.09%          |
| PAT Margin (%)              | 0.76%          | 1.01%          |
| Overall Gearing Ratio (x)   | 0.97           | 1.05           |

*\*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 2022-23) |                                |  | Rating History for the past 3 years                      |   |   |
|---------|-------------------------------|-------------------------------|--------------------------------|--|--|---|---|
|         |                               | Type                          | Amount outstanding (Rs. Crore) | Rating (03 June 2022)                                    | Date(s) & Rating(s) assigned in 2021-22 (21 April 2021)  | Date(s) & Rating(s) assigned in 2020-21 | Date(s) & Rating(s) assigned in 2019-20 (28 January 2020) |
| 1.      | Cash Credit                   | Long Term                     | 24.50                          | IVR BB-/ Stable (IVR Double B Minus with Stable outlook) | 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 A Four)                                      | -                                       | IVR A4 (IVR A Four)                                       |

**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 was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.



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For more information visit [www.infomerics.com](http://www.infomerics.com).

**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.

### 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 – BG | -                | -                | -             | 9.00                         | IVR A4                   |

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Nickunj-Eximp-june22.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 [www.infomerics.com](http://www.infomerics.com).