



Press Release

Nickunj Eximp Enterprises Private Limited

03rd January 2024

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	20.00	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	IVR B+/Negative/INC* (IVR B Plus with Negative Outlook; Issuer Not Cooperating)	Upgraded and Moved out of ISSUER NOT COOPERATING category	Simple
2.	Short Term Bank Facilities	9.48**	IVR A4 (IVR A Four)	IVR A4/INC* (IVR A Four; Issuer Not Cooperating)	Reaffirmed and Moved out of ISSUER NOT COOPERATING category	Simple
Total		29.48				

*Issuer not cooperating; Based on best available information

**Restricted to Rs. 9.00 crores only

Details of Facilities are in Annexure 1.

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgraded the rating for long-term rating at IVR BB- with stable outlook and reaffirmed the short-term rating at IVR A4 for the bank loan facilities of Nikcunj Eximp Enterprises Pvt. Ltd (NEEPL).

The rating assigned to the bank facilities of Nikcunj Eximp Enterprises Pvt. Ltd draws comfort from extensive experience of the promoter and comfortable financial risk profile marked by moderate gearing and moderate debt protection metrics. However, these strengths are partially offset by thin profitability margins, exposure to foreign fluctuation risk and government regulations and working capital intensive nature of operations.

IVR has principally relied on the consolidated audited financial results of NEEPL up to 31 March 2023, projected financials for FY24, FY25 and FY26, and publicly available information/clarifications provided by the company's management.



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Key Rating Sensitivities :

Upward Factors

- Steady growth in scale of operations on a sustained basis.
- Improvement in profit margin on a sustained basis.
- Improvement in operating cycle.

Downward Factors

- Deterioration in the overall gearing to more than 2x
- Further elongation of working capital 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.

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

The overall gearing ratio of the company stood moderate at 1.18x as on March 31, 2023. Moreover, the total indebtedness of the company also remained high at 2.04x as on March 31, 2023. The interest service coverage ratio and debt service coverage ratio remained comfortable at 1.31x and 1.18x respectively in FY23.

Key Rating Weaknesses

Improvement in scale of operations however thin profitability margins

The total operating income of the company has improved from Rs.58.97 crore in FY22 to Rs.64.45 crore in FY23 due to strong demand in the market and post covid sales has been increased. The EBIDTA and PAT, in absolute terms, has declined from Rs.5.18 crore and Rs.0.66 crore respectively in FY22 to Rs.4.46 crore and Rs.0.37 crore respectively in FY23.



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However, in percentage terms, it has also declined from 8.79% and 1.11% respectively in FY22 to 6.92% and 0.57% respectively in FY23 on account of higher cost of procurement.

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 operation

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 improved from 438 days in FY22 and to 342 days in FY23. 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 and the average utilization is very high at 94.48% for the past 12 months .

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity- Adequate



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The liquidity position of the entity is expected to remain adequate in near to medium term due to its sufficient cash accruals viz the repayment of term loan. The operation of the company are working capital-intensive nature and higher reliance on bank borrowings to fund the working capital requirements. However, lower current obligations in FY 23 of Rs 0.10 Cr as against the gross cash accruals Rs 0.76 Cr may not pose the immediate impact in the short term. The bank limits are highly utilized to the extent of ~ 94.48%, supported by current ratio of Rs 1.78x. The company has free cash and cash equivalents aggregating to Rs.2.57 crore as per audited FY 23 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)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	58.97	64.45
EBITDA	5.18	4.46
PAT	0.66	0.37
Total Debt	34.67	33.19
Adjusted Tangible Net worth	32.05	32.85
EBITDA Margin (%)	8.79	6.92
PAT Margin (%)	1.11	0.57
Overall Gearing Ratio (x)	1.25	1.18

**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 2023-24)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (03 rd January, 2024)	Rating (16 th August, 2023)	Date(s) & Rating(s) assigned in 2022-23 (03 rd June, 2022)	Date(s) & Rating(s) assigned in 2021-22 (21 April 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	20.00	IVR BB-/Stable (IVR B Plus with Stable outlook)	IVR B+/Negative/INC (IVR B Plus with Negative outlook; Issuer not Cooperating)	IVR BB-/Stable (IVR Double B Minus with Stable outlook)	IVR BB-/Stable (IVR Double B Minus with Stable outlook)	-
2.	Bank Guarantee	Short Term	9.48	IVR A4 (IVR A Four)	IVR A4;INC (IVR A Four; Issuer not Cooperating)	IVR A4 (IVR A Four)	IVR A4 (IVR A Four)	-

* Issuer not cooperating; Based on best available information

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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



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

For more information visit www.infomerics.com.

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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	-	-	-	20.00	IVR BB-/Stable
Short Term Bank Facilities –BG	-	-	-	9.48*	IVR A4

* Restricted to Rs. 9.00 Crores

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-jan24.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 [Complexity Level of Rated Instruments/Facilities](#).