



## Press Release

### Nucon Aerospace Private Limited (NAPL)

January 24, 2025

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	39.66 (reduced from 43.08)	IVR BBB-/Stable (IVR Triple B minus with stable outlook)	IVR BBB-/Negative (IVR Triple B minus with negative outlook)	Rating reaffirmed; Outlook revised from negative to stable	<a href="#">Simple</a>
Short Term Bank Facilities	72.00	IVR A3 (IVR A three)	IVR A3 (IVR A three)	Rating reaffirmed	<a href="#">Simple</a>
<b>Total</b>	<b>Rs. 111.66 (Rs. One Hundred and Eleven crore and Sixty-Six lakh only)</b>				

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

Infomerics Ratings has reaffirmed its ratings to the Bank facilities of NAPL as it derives strengths from improved operating margin though moderate operating performance, strong capital structure, relations with reputed defence sector clients, healthy order book position, presence in niche and growing defence and space segment, and established track record in an industry with high entry barriers. However, these rating strengths are partially constrained by intensive working capital, and moderate debt protection metrics.

Infomerics has revised the Outlook to 'Stable' from 'Negative' on account of expected improvement in profitability along with strong capital structure during FY25-27.

#### Key Rating Sensitivities:

##### Upward Factors

- Sustained improvement in revenue while maintaining current profitability and capital structure along with improvement in working capital cycle

##### Downward Factors

- Any decline in revenue and profitability and/or any further deterioration in working capital cycle leading to deterioration in liquidity and capital structure.

#### List of Key Rating Drivers with Detailed Description



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### **Key Rating Strengths**

#### **Improved operating margin though Moderate operating performance**

The total operating income (TOI) remained moderate at Rs. 102.30 crore in FY24 (periods refers from April 01<sup>st</sup> 2023 to March 31<sup>st</sup>, 2024) (FY23: Rs. 100.51 crore) due to delay in procurement of raw materials which lead to delay in execution of orders of around Rs. 70.00 crore. Further, operating margin improved to 15.73% in FY24 (FY23: 14.69%) driven by benefits of operating leverage as decreasing in the operating expenses. Additionally, NAPL has reported TOI of Rs. 46.50 crore in H1FY25 (H1FY24: Rs. 24.6 crore), which is 41.26% of the projected revenue of FY25. Further, the EBITDA margin improved by 106 bps at 15.69% in H1FY25 (H1FY24: 14.63%) driven by higher margin products which resulted in improve in PAT margin to 3.22% in FY24 (FY23: 1.21%).

#### **Strong Capital structure**

The capital structure marked by overall gearing and TOL/ATNW remained moderate at 0.61x and 1.43x respectively as on March 31, 2024 (March 31, 2023: 0.42x & 1.03x) on account of increased revenue during Q4FY24 and increased working capital borrowings during March 2024. Also, during FY24, the promoters of NAPL converted the unsecured loans amounting to Rs. 9.99 crore into equity share capital. In addition to this during FY25, CCPS (Compulsory Convertible Preference Shares) worth Rs.14.03 crore is also added to the net worth.

#### **Relations with reputed defence sector clients backed by healthy order book:**

NAPL is engaged in manufacturing control actuation systems, high-pressure pneumatic and precision mechanical systems for aerospace and defence industries. NAPL operates in a niche and high entry barrier industry which contains stringent pre-qualification clauses. It is recognized as a qualified vendor which works with top government research organizations, defence sector and big private players like Bharat Dynamics Limited, Defence Research & Development Organization, BrahMos Aerospace and Rafael Advanced Systems (Israel). The revenue visibility remains healthy backed by total unexecuted order book of around Rs. 159.00 Crore as of September 2024, and majority of it is to be executed by FY-26.

#### **Presence in niche and growing defence and space segment:**



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NAPL has a presence in niche and growing defence segment. NAPL provides services to aerospace, space, naval and defence segments. Its products are niche and specialized in nature and the company has long-standing relationships with majors in each segment which can be reflected by repetitive orders from customers.

### **Established Track record in an industry with high entry barriers:**

Nucon Aerospace Private Limited (NAPL), promoted by Mr. Hemant Jalan & Mr. Udit Jalan, is a resulting company on account of demerger from Nucon Industries Private Limited (NIPL), which has been in the pneumatic applications industry since 1972. Leveraging on the technical and commercial expertise, NAPL is now known as an established player with a proven track record of development of control actuation and pneumatic systems for defence systems. The ability to maintain the product quality standards as per the requirement of defence research organization acts as an entry barrier in this kind of business. The directors are supported by a team of experienced and qualified professional.

### **Key Rating Weaknesses**

#### **Elongated working capital cycle:**

The company's net working capital cycle days stayed high at 208 days due to increase in collection days to 152 days in FY24 (FY23: 107). This was mainly on account of dealings with government agencies wherein the payment turnaround time is longer. The elongated working capital cycle is inherent in the business, where the contracts are long term in nature, which results in higher inventory. Generally, defence orders require a large number of critical tests to be done before execution and it takes 12-24 months to execute these orders depending on the type of systems and sub-systems. Additionally, obtaining client clearances also leads to delayed execution.

#### **Moderate debt protection metrics:**

The debt protection metrics marked by interest coverage ratio remained moderate at 1.37x in FY24 (FY23: 1.47x) due to slight increase in interest cost. Further, total debt to NCA deteriorated at 7.87 years in FY24 (FY23: 5.72 years) primarily due to increase in working capital debt. Despite, this the DSCR remain comfortable at 1.20x in FY24.

**Analytical Approach:** Standalone



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### Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and post default period](#)

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

### Liquidity – Adequate

The liquidity of the company remains adequate marked by the sufficient cash accruals as against the long-term debt repayment obligations. The cash and cash equivalents are Rs.7.53 crore as on Nov 30, 2024. Its average maximum fund based working capital utilization for the 12 months ended August 2024 stood at 86.16%. The current ratio stood at 1.69x as on March 31, 2024. With the absence of capex, the liquidity is expected to remain adequate in the medium term.

### About the Company

Set up in 2001, NAPL is engaged into manufacturing of control actuation systems, high-pressure pneumatic and precision mechanical systems for aerospace and defence industries. NAPL is driven efficiently by its board of directors, who altogether have widespread industry knowledge.

### Financials (Standalone):

	(Rs. crore)	
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	100.51	102.30
EBITDA	14.76	16.09
PAT	1.07	0.84
Total Debt	34.21	48.61
Adjusted Tangible Net Worth	81.56	79.31
EBITDA Margin (%)	14.69	15.73
PAT Margin (%)	1.05	0.80
Overall Gearing Ratio (x)	0.42	0.61
Interest Coverage (x)	1.47	1.37

\* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil



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**Any other information: Nil**

**Rating History for last three years:**

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned (2023-24)	Date(s) & Rating(s) assigned (2022-23)	Date(s) & Rating(s) assigned (2021-22)
					Date: Nov 30, 2023	Date: Sep 29, 2022	Date: July 02, 2021
1.	UGCEIL - 1	Long Term	0.17	IVR BBB-/Stable	IVR BBB-/Negative	IVR BBB-/Stable	IVR BBB-; Credit Watch with Developing Implications
2.	UGCEIL - 2	Long Term	3.49	IVR BBB-/Stable	IVR BBB-/Negative	IVR BBB-/Stable	IVR BBB-; Credit Watch with Developing Implications
3.	Cash Credit	Long Term	36.00**	IVR BBB-/Stable	IVR BBB-/Negative	IVR BBB-/Stable	IVR BBB-; Credit Watch with Developing Implications
4.	Letter of Credit	Short Term	12.00	IVR A3	IVR A3	IVR A3	IVR A3; Credit Watch with Developing Implications
5.	Bank Guarantee	Short Term	60.00	IVR A3	IVR A3	IVR A3	IVR A3; Credit Watch with Developing Implications

**\*\*Cash credit of Rs. 36.00 crore includes the sublimit of packing credit of Rs. 16.00 crore.**

### Analytical Contacts:

Name: Amey Joshi

Tel: (022) – 6239 6023

Email: [amey.joshi@infomerics.com](mailto:amey.joshi@infomerics.com)

### 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





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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.

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](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
UGECL – 1*	--	--	--	Feb 2025	0.17	IVR BBB- /Stable
UGECL – 2*	--	--	--	Oct 2026	3.49	IVR BBB- /Stable
Cash Credit	--	--	--	Revolving	36.00**	IVR BBB- /Stable
Letter of Credit	--	--	--	--	12.00	IVR A3
Bank Guarantee	--	--	--	--	60.00	IVR A3

\*\*Cash credit of Rs. 36.00 crore includes the sublimit of packing credit of Rs. 16.00 crore.

\*UGECL 1 and 2 both facilities are outstanding as on September 30, 2024.

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-nucon-24jan25.pdf>

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

**Annexure 4: List of companies considered for consolidated/Combined analysis:** 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).