Nipman Fastener Industries Private Limited
October13, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Action
1	Bank Facilities- Long Term	119.60 (Reduced from Rs. 120.00 crore)	Reaffirmed to IVR B+;Stable (IVR B Plus with Stable outlook) and removed from INC
	Total	**119.60**	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating reaffirmation to the bank facilities of Nipman Fasteners Industries Private Limitedcontinues to derive comfort from its experienced promoters who remain closely associated with the Hero group promoters, the Munjal family and the adequate track record of operations along with proven technology setup. The rating factors in the recent fiscal support from the Munjal family and the promoters which is likely to continue in the current fiscal.The rating howeverconsidersthe declining revenues of the company in the past fiscals as also the continuing losses along which has kept the capital structure leveraged and the debt protection metrics weak.The rating reaffirmation also factors in the working capital-intensivenature of the operationsof the company and its exposure to volatility in raw material prices and competition. Infomerics has also removed the ratings from Issuer not Cooperation category on the company providing the adequate information to carry the surveillance exercise.

Key Rating Sensitivities:

Upward Rating Factors

- Growth in scale of operations with improvement in profitability on a sustained basis, reporting net profits on a sustainable basis
- Improvement in the capital structure
- Improvement in operating cycle aiding improvement in liquidity to an extent

Downward Rating Factors

- Elongation in working capital cycle affecting the liquidity profile
- Weakening in the capital structure and/or debt protection metrics

List of Key Rating Drivers with Detailed Description

Key Rating Strength

- **Adequate track record of operations, Experienced promoters**

The key promoter, Mr. Pravin Malhotra remains well experienced in the auto ancillary business with an experience of about 35 years. Further, the promoters being associated with the Munjal family of the Hero Group, the company has benefited with repeat orders as also kept track of the constantly evolving auto ancillary industry. Further the company's manufacturing units are largely strategically located in the proximity of Hero's production units contributing to logistical savings.

- **Recent fiscal support; to continue in the current fiscal**

The promoters to support the liquidity have issued redeemable preference shares worth Rs. 21.75 crore in FY21 which were mainly utilized to service the debt obligations. The fiscal support has continued in the current fiscal in the form of shareholder deposits, equity infusion and preference share of which Rs. 23.34 crore has already been infused. This fresh infusion while partially was/will be used to service debt and partially will be deployed for the axle development program which is expected to contribute significantly to the top line and profits going forward. The company has already received the firm order from Hero Group for the axles to be manufactured.

- **Established clientele and supplier relationship, proven technological setup**

The company has a track record of over two decades in manufacturing fasteners and has a client base with some of reputed names like Hero Moto Corp Ltd and Renault Nissan Automotive. Its facilities house single and double acting pneumatic, power and hydraulic presses in capacities ranging from 10 tonnes to 1000 tonnes, CNC bending machines, machining centres and other pre machining facilities which provide some technological edge to the company.

Key Weaknesses

- **Gradual decline in revenues with losses in past ficals** NFIPL has witnessed significant decline in FY2020 and FY2021 driven by slowdown in orders from the principals. The operating revenue of the company weakened from Rs. 259.07 crore in FY19 to Rs. 147.39 crore in FY20 and further Rs. 103.89 crore in FY21.Subsequnetly, the EBIDTA margins have also declined sharply in FY2021 to 2.98% from 17.98% in FY2020 while the losses also expanded in FY2021 as compared to FY2020. The company has booked Rs. 47.42 crore in 6 months of FY2022. Further, the venture into axle manufacturing is likely to support the topline and profits going forward.

- **Leveraged capital structure and weakdebt protection metrics**

NFIPL has a stretchedcapital structure marked by an overall gearing ratio and TOL/ANW of 3.36x and 5.28x respectively as on March 31, 2021 as compared to 3.37x and 5.77x respectively as on March 31, 2020. The company's interest coverage and TD/EBIDTA remained at 0.17 times and 55.50 times respectively in FY2021.

- **Working capital intensive operations**

The company's operations remain working capital intensive as determined by the stretch in the operating cycle in the past fiscals; albeit it has been increasing in the past fiscals. The company has also attempted to balance the same partially through stretching the creditors and also extending limited credit period to its customers. The operating cycle in FY2021 has remained at 307 days in FY2021 as compared to 253 days in FY2020.Given the stretch in the operating cycle has been reflected in almost full utilisation of sanctioned working capital limits during the last 12 months ending September 2021 remaining.

- **Exposure to volatility in raw material prices and competition**

Steel remains the key raw material used in the manufacture of fasteners. The company thus remains vulnerable to the fluctuations in the steel price. However, long term contracts with periodic revisions assists to mitigate the impact to an extent. The company also faces some competition from the fastener manufacturers though the company has close relationships with Hero group.

Analytical Approach: Standalone
Applicable Criteria:
Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Stretched
The liquidity profile of NFIPL is expected to remain stretched marked by its weak financial performance in FY21. The scheduled debt repayment obligations stood at Rs. 11.79 crore, Rs. 17.36 crore and Rs. 7.93 crore in FY22, FY23 and FY24 while the accruals are expected to bestrained.However, the company expects to manage the same majorly through the fiscal infusions in the current year while accruals are expected to be improve going forward. The average utilization of its fund-based limits of the company during the past twelve months ended September 2021 remained high at ~98.15% while the free cash balance remains at Rs. 1.43 crore as on March 31,2021. The promoter support remains crucial to its liquidity.

About the Company

Incorporated in 1997, New delhi based Nipman Fastener Industries Pvt. Ltd. was promoted by Mr. Pravin Malhotra, a post graduate in Business Administration and having a long track record of successfully managing businesses. The core business of the company is manufacturing of Standard and Special fasteners for automotive application, Engine studs for two wheeler, other cold forged components. Company's products are mainly used in automotive engines, transmission, suspension, steering assembly, safety systems and various other sub-assemblies of 2 wheelers and 4 wheelers.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2020	31-03-2021
	Audited	**Audited**
Total Operating Income	147.39	103.89
EBITDA	26.50	3.09
PAT	(0.87)	(23.05)
Total Debt	151.28	171.69
Tangible Net worth	35.69	13.82
EBITDA Margin (%)	17.98	2.98
PAT Margin (%)	(0.59)	(22.02)
Overall Gearing Ratio (x)^	3.37	7.91

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 Rating (Year 2021-22)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating (s) assigned in 2019-20	Date(s) & Rating (s) assigned in 2018-19
1.	Cash Credit	Long Term	52.99	IVR B+/Stable	IVR B+/INC (May 24,2021)	IVR B+/Stable (November 17, 2020)	-	-
2.	Term Loan	Long Term	0.86	IVR B+/Stable	IVR B+/INC (May 24,2021)	IVR B+/Stable (November 17, 2020)	-	-
3.	Corporate Loan	Long Term	51.91	IVR B+/Stable	IVR B+/INC (May 24,2021)	-		
4.	GECL	Long Term	13.00	IVR B+/Stable	IVR B+/INC (May 24,2021)	-		
5.	Covid Loan	Long Term	0.84	IVR B+/Stable	IVR B+/INC (May 24,2021)	-		

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.

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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.

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- Cash Credit	-	-	-	52.99	IVR B+/Stable
Long Term Bank Facilities- Term Loan	-	-	April, 2024	0.86	IVR B+/Stable
Long Term Bank Facilities- Corporate Loan	-	-	April, 2024	51.91	IVR B+/Stable
Long Term Bank Facilities- GECL	-	-	-	13.00	IVR B+/Stable
Long Term Bank Facilities- Covid Loan	-	-		0.84	IVR B+/Stable

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/lender-nipman-fastener.pdf
Annexure 3: List of companies considered for consolidated analysis: Not Applicable
Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable
Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1	Long Term Bank Facilities – Cash credit	Simple
2	Long Term Bank Facilities – Term Loan	Simple
3	Long Term Bank Facilities – Corporate Loan	Simple
4	Long Term Bank Facilities – GECL	Simple
5	Long Term Bank Facilities – Covid Loan	Simple

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.