



## Press Release

### Nilons Enterprises Private Limited (NEPL)

June 04<sup>th</sup>, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Fund-Based Bank Facilities	96.30	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	<a href="#">Simple</a>
Short Term Non-Fund Based Bank Facilities	0.30	IVR A3 (IVR A Three)	Assigned	<a href="#">Simple</a>
Long Term Bank Facilities - Proposed	28.40	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	<a href="#">Simple</a>
<b>Total</b>	<b>Rs.125.00</b> (Rupees One hundred and twenty-five core Only)			

Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics has assigned the rating to the bank facilities of NEPL derive strength from strong brand presence and pan-India reach, diversified product profile with focus on core products to strengthen revenue base, stable operating income, sustained improvement in gross margins and it will remain steady in the future due to implementation of new model optimization by the NEPL, moderate capital structure and experienced promoters with established track record in the business. The rating is however constrained on account of working capital-intensive nature of business, susceptibility to fluctuations in raw material prices and competition from the other established players.

#### Key Rating Sensitivities:

##### Upward Factors

- Significant growth in total operating income and improvement in profitability margins thereby leading to overall improvement in cash accruals on a sustained basis.



## Press Release

- Sustained improvement in the capital structure and maintenance of better liquidity position.

### **Downward Factors**

- Sustained Decline in operating income and/or profitability leading to debt protection metrics.
- Any large debt-funded capex or deterioration in working capital cycle, leading to deterioration in liquidity.

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

#### **Key Rating Strengths**

##### **Strong brand presence and pan-India reach**

NEPL has a strong brand recognition and market standing across India, particularly in the northern regions. NEPL has a robust distribution network, with a sales force that covers over 600,000 outlets across the country. NEPL is the leading domestic player in the processed food category and has also successfully expanded into international markets, ensuring effective market penetration and brand recognition globally.

##### **Diversified product profile with focus on core products to strengthen revenue base**

NEPL has a diversified product profile that includes pickles, Indian spices, western spices, tooty-fruity, sauces, chutneys, soya chunk, breakfast cereals, vermicelli, macaroni, pasta, tomato ketchup, jams, cooking pastes culinary and among others. Such a diversified product profile ensures minimal susceptibility of the company's operations to product-specific risks. NEPL has started focusing on 4-5 products such as Pickles, Ginger garlic, sauces and spices instead of 10-15 other products and sell this product to particular states which has more demand to strengthen revenue base.

##### **Stable operating income**

As per provisional FY24, NEPL's total operating income (TOI) has improved by ~7% on year-on-year basis to Rs. 388.64 crore, this growth in TOI led by increase in volume with stable



## Press Release

demand in the domestic as well international market. However, revenue will improve further in FY25 to FY27 with gradual pace as NEPL has started focusing on 4-5 products instead of 10-15 other products as well as NEPL continuously spending more towards the advertisement which will benefit them in future.

### **Sustained improvement in gross margins likely to improve further.**

As per provisional FY24 EBITDA margins improved to 7.35%, (FY23: 3.33%) driven by focus on high margin products and key states which resulting in lower distribution cost. Additionally, implementation of stand-alone modern trade as well as Q-commerce and E-commerce trade which gives best SKU (stock keeping unit) and faster product turnaround. The PAT margins stood at 1.17% as per provisional FY24 (FY23: negative 1.59%), this marginal improvement is due to higher EBITDA as compared to preceding year. IVR are expecting EBITDA margins to improve further through FY25-FY27 due to stable demand and strategic changes made by the NEPL

### **Moderate Capital Structure**

NEPL's tangible net worth has increased to Rs.126.30 crore as per provisional FY24, (FY23: Rs.121.77 crore) due to stable accretion of profits to reserves. Total debt of NEPL stood at Rs.101.65 crore as per provisional FY24 out of which Rs.27.00 crore is long term debt and balance debt is from working capital limits. The capital structure as indicated by overall gearing ratio and TOL/TNW has remained stable at 0.80x and 1.41x respectively at the end of FY24 (FY23: 0.73x and 1.32x respectively) due to accretion of profits to reserves despite increase in working capital debt. IVR expects gearing to improve further from FY25 onwards with expected improvement in profitability and in the absence of debt led capex plans.

### **Experienced promoters with established track record in the business**

NEPL's promoters have relevant and vast experience respectively in food processing industry. The longstanding track record of the NEPL with experience of the management has also resulted in established its brand and relationship with customers resulting in repeat orders.



## Press Release

### **Key Rating Weaknesses**

#### **Working capital intensive nature of business**

NEPL's net operating cycle remained moderate at 75 days at the end of FY24, mainly on account of high inventory days of around 100 days, as the NEPL needs to maintain inventory to meet the needs of its diverse customer base, which includes super stockiest, wholesale, and dealer segments and also NEPL undertakes seasonal procurement of raw materials, which results in high inventory level, whereas creditors days stood comfortable at 55. This helps the NEPL for its working capital mismatches.

#### **Susceptibility to fluctuations in raw material prices**

The major raw materials for NEPL consist of sugar, dry red chili, green mango, mustard oil maida required in their major products like sauces and pickles which comprises 63% of total revenue from operations for FY24 Provisional. The prices of these raw materials are fluctuating because of the seasonal availability of sugar and chillies coupled with other factors like irregularity of climatic condition to unpredictable yields, etc.

#### **Competition from the other established players**

NEPL faces competition from the other players with well established brands and companies. These competitors are well-known brands with higher PAN-India market penetration coupled with wide variety of products.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

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

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



## Press Release

### **Liquidity – Stretched**

NEPL's liquidity remained stretched in FY2024 reflected by 96% utilisation of working capital limits during the past 12 months ended as on April 30, 2024, NEPL's current ratio stood at 1.02x as of 31<sup>st</sup> March 2024 (FY23: 0.91x); while quick ratio remains moderate and at 0.35x (FY23: 0.23x). Cash and cash equivalent of Rs.2.67 crore as of March 31, 2024. Cash flow from operations were also positive and at Rs.15.11 crore at the end of FY24. The debt service coverage ratio (DSCR) also remained comfortable at 1.71x as per provisional FY24. IVR expects the DSCR to remain above 2x through FY25-FY27, with stable profitability and no significant repayments.

### **About the Company**

NEPL incorporated in 1977 by Mr. Shri Suresh B. Sanghavi and involved in the business of manufacturing of FMCG products such as pickles, Indian spices, western spices, tooty-fruity, sauces, chutneys, soya chunk, breakfast cereals, vermicelli, macaroni, pasta, tomato ketchup, jams, cooking pastes & culinary, ready to cook, ready to eat and bakery products, etc. Nilon's has a very wide range of quality products with global flavours and a local twist. NEPL sells its product under the brand name of 'Nilons'. NEPL has a strong distribution network in the domestic market, reaching over 600,000 outlets across India.

### **Financials (Standalone):**

**(Rs. crore)**

For the year ended/ As on*	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	313.13	364.20
EBITDA	(17.34)	12.13
PAT	(31.98)	(5.80)
Total Debt	63.26	89.27
Tangible Net Worth	127.56	121.77
EBITDA Margin (%)	(5.54)	3.33
PAT Margin (%)	(10.18)	(1.59)
Overall Gearing Ratio (x)	0.50	0.73
Interest Coverage (x)	(3.14)	1.53

\* As per Infomerics Standard



## Press Release

Status of non-cooperation with previous CRA: Nil

Any other information:

Rating History for last three years:

Name of Instrument /Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. Crore)	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:-	Date:-	Date:-
Long Term Fund-Based Bank Facilities	Long Term	96.30	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	--	--	--
Short Term Non-Fund Based Bank Facilities	Short Term	0.30	IVR A3 (IVR A Three)	--	--	--
Long Term Bank Facilities - Proposed	Long Term	28.40	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	--	--	--

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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





## Press Release

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

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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 – GECL	--	--	October 31 <sup>st</sup> , 2027	3.00	IVR BBB-/Stable
Long Term Bank Facilities – Term Loan	--	--	October 31 <sup>st</sup> , 2028	14.29	IVR BBB-/Stable
Long Term Bank Facilities – WCDL	--	--	October 31 <sup>st</sup> , 2028	10.00	IVR BBB-/Stable
Long Term Bank Facilities – Term Loan	--	--	September 30 <sup>th</sup> , 2028	5.00	IVR BBB-/Stable
Long Term Bank Facilities – GECL	--	--	October 31 <sup>st</sup> , 2027	3.79	IVR BBB-/Stable
Long Term Bank Facilities – GECL	--	--	October 31 <sup>st</sup> , 2027	2.72	IVR BBB-/Stable
Long Term Bank Facilities – GECL	--	--	September 30 <sup>th</sup> , 2028	2.50	IVR BBB-/Stable



## Press Release

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	--	--	Revolving	17.00	IVR BBB-/Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	28.00	IVR BBB-/Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	10.00	IVR BBB-/Stable
Short Term Bank Facilities – Loan equivalent risk	--	--	--	0.30	IVR A3
Proposed Long Term Bank Facilities	--	--	--	28.40	IVR BBB-/Stable

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

**Annexure 3: Facility wise lender details - <https://www.infomerics.com/admin/prfiles/lens-Nilons-jun24.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).