Press Release

NU-VU Conair Private Limited

December 05, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 6.25 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE BBB**' **(read as ACUITE triple B)** to the Rs. 6.25 crore bank facilities of Nu-Vu Conair Private Limited (NVCPL). The outlook assigned is **'Stable'**.

NVCPL is a joint venture (JV) company between Nu-Vu Engineers (partnership concern), Ahmedabad and The Conair Group (Conair Group, Inc). Both the JV partners are engaged in manufacturing of auxiliary equipment for plastic processors. Conair Pacific PTE Limited holds 50 percent stake in NVCPL. It is an ISO 9001:2015 company and was incorporated in 2007. The company is a prominent player in plastic auxiliary sector. Its product portfolio comprises a variety of plastic auxiliary equipment such as central vacuum conveying systems, drying systems, gravimetric blending systems, chillers and mold temperature control units, crystallizers, granulators and more for polymer processors used in plastic mold manufacturing.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of NVCPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Strong operational and managerial support from the parent**

  Conair has significant control over NVCPL's management and its day to day operations. NVCPL procures key components from Conair and assembles them at their own premises. NVCPL also utilises the technical knowhow so obtained from Conair. The Conair Group, Inc manufactures and markets auxiliary equipment for plastic processing in the United States and internation ally. The company was founded in 1956 and is headquartered in Cranberry Township of Pennsylvania with its manufacturing facilities in Franklin (Pennsylvania), Pinconning and Michigan. It also has offices at Shanghai (China), Taipei (Taiwan), Guadalupe (Mex ico), Ahmadabad (India) and Singapore. The Conair Group, Inc operates as a subsidiary of IPEG Inc. The parent will remain in control of NVCPL's operations. Conair's continued support to NVCPL will be key rating sensitivity factor.

- **Diversified clientele and strong relationships with key clientele**

  NVCPL benefits from its presence of more than a decade in plastic auxiliary sector, technology advancement and support from its parent company Conair Group, Inc and established market position will continue to support NVCPL's business risk profile. The company suppl ies majorly central vacuum conveying systems, drying systems, gravimetric blending systems, chillers to Tier - 1 plastic extrusion machine manufacturers, such as, Kabra Extrusiontechnik Limited, Rajoo Engineers Limited (REL) amongst others. Since NVCPL supplies to multiple plastic extrusion machine manufacturers, which cater to the requirements of various OEMs, its customer base is reasonably diversified as no single customer contributes more than 15 percent to its annual revenue.

- **Healthy financial risk profile and comfortable liquidity position**

  NVCPL's financial risk profile is marked by healthy net worth, healthy profit margins and consistent revenue growth. The profitability indicators have remained healthy in the past as reflected through RoCE levels of 25.0 - 27.5 percent during 2015-18. Over the recent years the company has maintained a strong revenue growth momentum with CAGR of ~11 percent between FY2016 and FY2018; during H1FY2018 the company recorded growth of ~20 percent over the corresponding previous period. The net worth increased to Rs.29.83 cro re as on 31 March, 2018 as against Rs.25.90 crore in the previous year on account of increasing revenue and profitability, leading to higher accretion to reserves. NVCPL also efficiently manages its working capital requirements, which helps the company keep its external borrowings low. The company has followed a conservative financial policy in the past, as reflected by its debt free capital structure as on March 31, 2018. The healthy revenue growth coupled with healthy profitability levels has resulted in healthy net cash accruals of Rs.5.81 crore during 2016 -18. Acuité believes that the financial risk profile will continue to remain healthy on account of healthy cash accruals and minimal reliance on debt.

Weaknesses

- **Moderate working capital nature of operation**

The working capital management is marked by Gross Current Assets (GCA) of 137 days in FY2018 as against 136 days in FY2017. The company maintains inventory of around 90 days on an average and extends clean credit of around 30 days to its customers, resulting in high GCA days. The inventory and debtor levels stood at 92 days and 31 days in FY2018 as against 92 days and 29 days in FY2017, respectively. Acuité believes that the working capital requirement will continue to remain high over the medium term on account of its high inventory requiremen ts to cater to spot orders.

Outlook: Stable

Acuité believes that the outlook on NVCPL's facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience, healthy financial risk profile and established Diversified customer base. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile, particularly its liquidity most likely as a result of higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	79.23	68.42	58.45
EBITDA	Rs. Cr.	7.87	6.57	6.41
PAT	Rs. Cr.	5.13	4.37	3.91
EBITDA Margin	(%)	9.93	9.61	10.96
PAT Margin	(%)	6.48	6.38	6.68
ROCE	(%)	27.52	27.03	54.58
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.00
PBDIT/Interest	Times	138.50	95.72	137.83
Total Debt/PBDIT	Times	0.00	0.00	0.00
Gross Current Assets (Days)	Days	137	136	126

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	6.25	ACUITE BBB / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Sanket Kotkar Analyst - Rating Operations Tel: 02249294073 sanket.kotkar@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:
Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.