

Press Release

Nima Enterprises Private Limited

January 03, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.6.80 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.6.80 crore bank facilities of Nima Enterprises Private Limited (NEPL). The outlook is '**Stable**'.

NEPL is a Navi Mumbai based company incorporated in 2005 and managed by Mr. Ketan Ruparel and Mrs. Manisha Ketan Ruparel. NEPL is engaged in the export of whole as well as powdered spices, other agro products and food products include papads and pickles, among others. Earlier, the company was into trading activity and the processing activity was outsourced to third party on job work basis. However, from 2018, it has set up a processing of spices unit in the manufacturing unit at Vadodara (Gujarat).

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Nima Enterprises Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and established presence in the industry**

NEPL is engaged in export of whole as well as powdered spices, other agro products and food products since 2007. The operational track record of a decade has helped the company to establish and maintain long standing relationships with its customers in countries such as United Kingdom, Netherlands, Denmark and Finland. The Directors of the company, Mr. Ketan Ruparel and Mrs. Manisha Ruparel collectively possess around 23 years of experience in the spice export business. Since 1995, Mr. Ketan is in spice export business and manages the business development and strategy. Mr. Manisha looks after accounts, administration and finance department of the company.

- **Average financial risk profile**

NEPL has average financial risk profile marked by adequate net worth, moderate gearing and debt protection metrics. The net worth stood low at Rs.2.54 crore as on March 31, 2019 as against Rs.2.77 crore as on March 31, 2018. The gearing of the company deteriorated to 2.80 times, as on March 31, 2019 due to additional debt exposure of setting up processing unit. The total outside liabilities to tangible net worth ratio also stood at around 3.24 times as on March 31, 2019. NEPL's total debt of Rs.7.10 crore as on March 31, 2019 includes term loans of Rs.4.33 crore, unsecured loans Rs.0.66 crore and working capital borrowings of Rs.2.11 crore. The interest coverage ratio (ICR) of the company stood at around 1.48 times for FY2019 and the net cash accruals to total debt stood moderate at 0.03 times for FY2019. Acuité believes that NEPL will maintain its financial risk profile on the back of unsecured loans and capital infusion over the medium term.

Weaknesses

- **Volatility in commodity prices and changes in government policies**

NEPL's business is exposed to volatility in commodity prices on account of uncertain agro-climatic conditions and changes in government policies. As the company is dealing in spices which are agricultural commodities; the company is exposed to volatility in its prices on account of uncertain agro-climatic conditions i.e. any sudden changes in climatic conditions such as inadequate rainfall or draught might affect the availability of agricultural commodities in the world market, causing scarcity and pushing

commodity prices upwards. Further, any changes in the government policies, particularly affecting the import/export cost to buyer or seller will have a huge impact on commodity prices.

• Susceptibility to regulatory and compliance-related issues

The company remains susceptible to changes in regulations related to food and drug safety norms. Any non-compliance could lead to product recall, discontinuation of business by customers, and litigation, which may adversely affect business and financial performances.

Rating Sensitivities

The company's ability to improve the scale of operation with improvement in profitability, improving the financial risk profile are the key rating sensitivity.

Material Covenants

None

Liquidity Profile- Stretched

NEPL has stretched liquidity marked by net cash accruals to its maturing debt obligations. The company generated cash accruals of ~Rs.0.20 crore – Rs.0.54 crore during the last three years through FY2017-2019. The company has infused unsecured loans of around Rs.0.66 crore in FY2019 to support the debt repayment. The cash accruals are estimated to remain at around Rs.0.61-1.21 crore during 2020-22 against repayment obligation in range of Rs.0.82 crore for the same period. The company's working capital cycle is moderate managed marked by Gross Current Asset (GCA) days of 116 for FY 2019. The current ratio stood at 0.86 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to improve over the medium term on account of healthy cash accruals against no major debt obligation.

Outlook: Stable

Acuite believes that NEPL will maintain a 'Stable' business risk profile on account of its experienced management and established relations with reputed clientele. The outlook may be revised to 'Positive' in case the company is able to achieve significant growth in revenue while achieving improvement in profitability, capital structure and liquidity. The outlook may be revised to 'Negative' in case NEPL register a decline in revenue or in case of significant deterioration in its profitability or liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	10.86	10.16	11.42
EBITDA	Rs. Cr.	0.61	0.72	0.84
PAT	Rs. Cr.	(0.23)	0.38	0.48
EBITDA Margin	(%)	5.57	7.05	7.39
PAT Margin	(%)	(2.12)	3.77	4.22
ROCE	(%)	2.23	12.86	20.02
Total Debt/Tangible Net Worth	Times	2.80	1.36	0.72
PBDIT/Interest	Times	1.48	4.66	7.63
Total Debt/PBDIT	Times	11.72	5.07	1.98
Gross Current Assets (Days)	Days	116	105	94

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument<https://www.acuite.in/criteria-complexity-levels.htm>**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-Jan-2019	Cash Credit	Long Term	4.30	ACUITE BB- / Stable (Reaffirmed)
	Term Loan	Long Term	0.40	ACUITE BB- / Stable (Reaffirmed)
	Bills Discounting	Short Term	2.10	ACUITE A4 (Reaffirmed)
8-Feb-2018	Cash Credit	Long Term	4.30	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.40	ACUITE BB- / Stable (Assigned)
	Bills Discounting	Short Term	2.10	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.80 (Revised from Rs.4.30 Cr.)	ACUITE BB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.40	ACUITE BB- / Stable (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	2.10	ACUITE A4 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BB- / Stable (Reaffirmed)