Rating Rationale

Napin Impex Pvt Ltd

09 Jul 2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 15.00 Crores of Napin Impex Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (28May2018)	Present
Fund based e-DFS	15	15	Long Term	BWR BB- (Pronounced as Double B Minus) Outlook: Stable	BWR BB- (Pronounced a BWR Double B Minus) Outlook: Stable (Reaffirm)
Total	15	15	INR Fifteen Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the Firm upto FY18, provisional financials of FY19, projections of FY20, publicly available information and information/clarifications provided by the management.

The rating draws strength from the extensive experience of management and increase in supplies from OPal. The rating, however, is constrained by declining operating revenue, below average debt protection metrics, high trade receivables and low profitability margins.

Going forward, the ability of the firm to improve its scale of operations, achievement of projections, increasing profitability margins, capital infusion in the business, improving debt protection metrics shall be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Extensive experience of management:** The directors of the company Mr. Gaurav Singhal and Mrs. Priyanka Singhal are well qualified and have a decade of experience in the industry. Their experience and knowledge has helped them in running business operations smoothly and in taking various strategic decisions.
- **Increase in supplies from OPal:** The company is planning to reduce their purchases from suppliers other than OPal and increase their supplies from OPal as a DCA. In FY18, the company sold plastic material amounting to Rs. 84 Cr. as DCA of OPal, which further increased to Rs. 164 Cr. in FY19. Since the company is earning good commission on OPal supplies, the management is reducing their purchases from other suppliers gradually, though, resultantly the top line will come down.

Credit Risks:

- **Decrease in operating revenue:** The total operating income has increased from Rs. 253.97 Cr. in FY17 to Rs. 258.96 Cr. in FY18. However, as per the provisional financials of FY19, the total operating income of the company has reduced to Rs. 101.61 Cr, due to change in business model.
- **Below average debt protection metrics**: The debt protection metrics is below average with ISCR of 0.96 times in FY18. As discussed with management, in case the company requires funds for repayment of interest, the promoters will contribute in the form of unsecured loans.
- **High trade receivables:** Trade receivable < six months are high at Rs. 28.28 Cr. in FY18, which further increased to Rs.34.54 Cr. in FY19 due to increased sales as del credere agent for OPal.
- **Low profitability margins:** The net profit margin and operating profit margin are low at 0.23% and 1.72%, respectively in FY19. However, despite a sharp decline in turnover, the PAT of the company remains the same at Rs. 0.23 Cr. in FY19.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Napin Impex Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Napin Impex Pvt Ltd was set up as a Pvt. Ltd. company in 2004. The registered office of the company is in Delhi. The company is engaged in the business of import & trading of Plastic raw material. Company is also Del Credere Agent (DCA) of ONGC Petro Additions Limited (OPal). Mr. Gaurav Singhal and Ms. Priyanka Singhal are the present directors of the company. The final product of the traded goods is used in the polymers manufacturing companies.

Company's Financial Performance

The total operating income has increased from Rs. 253.97 Cr. in FY17 to Rs. 258.96 Cr. in FY18. As per the provisional financials of FY19, the total operating income of the company has reduced to Rs. 101.61 Cr. In FY18, the company sold plastic material amounting to Rs. 84 Cr. as an agent for OPal, which further increased to Rs. 164 Cr. in FY19. Since the company is earning good commission on OPal supplies, the management is reducing purchases from other suppliers gradually. Despite a sharp decline in turnover, the PAT of the company remains the same at Rs. 0.23 Cr. in FY19. The debt protection metrics is below average with ISCR of 0.96 times in FY18. The net profit margin and operating profit margin are also low at 0.23% and 1.72% in FY19.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (Jul 2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	28 May 2018	2017	2016
1	**Fund Based e-DFS**	Long Term	15	**BWR BB- (Pronounced a BWR Double B Minus) Outlook: Stable (Reaffirm)**	**BWR BB- (Pronounced a BWR Double B Minus) Outlook: Stable**	**N/A**	
	Total		**15**	**₹ Fifteen Crores Only**			

Key Financial Indicators

Key Parameters	Units	2019	2018
Result Type		**Provisional**	**Audited**
Operating Revenue	In Rs. Cr.	101.61	258.96
EBITDA	In Rs. Cr.	1.75	0.78
PAT	In Rs. Cr.	0.23	0.23
Tangible Net worth	In Rs. Cr.	12.58	12.35
Total Debt/Tangible Net worth	Times	1.83	1.53
Current Ratio	Times	1.36	1.25

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios

Analytical Contacts	Investor Contacts
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Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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