

Rating Rationale

Nigam Industries

8 Jun 2018

Brickwork Ratings assigns BWR B+ (Outlook: Stable) for the Bank Loan Facilities of Rs. 4.95 Crs of Nigam Industries (NI or 'the firm')

Particulars

Facility#	Amount (Rs. Crs)	Tenure	Rating^
Fund Based Cash Credit Term Loan	0.90 4.05	Long term	BWR B+ (Pronounced BWR Single B Plus) Outlook : Stable Assigned
Total	4.95 (Rupees Four Crores and Ninety Five Lakhs Only)		

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure-I provides details of bank facilities

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied on the audited financials of Nigam Industries (NI or the 'firm') upto FY17, provisional financials for FY18, publicly available information and clarifications provided by the firm's management.

The rating draws strength from the firm's established operational track record, partners' experience in the industry, synergies from presence in the 'Nigam Group' and long term relationship with its customers. The rating is constrained by the small scale of operations, below average financial risk profile marked by declining revenue, thin profitability, low partners' capital, high gearing and stretched receivables, intensely competitive and fragmented industry, inherent risks associated with being a partnership firm including risk of capital withdrawal and working capital intensive operations.

Going forward, the firm's ability to increase its scale of operations, improve profitability, strengthen its overall credit profile and manage its working capital effectively would be the key rating sensitivities.

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).

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Key Rating drivers

- **Established track record**

Nigam Industries was established in 1995 and has an established operational track record of over two decades in the chemicals industry.

- **Partners' experience**

The firm's partners have an experience of around two decades in the manufacturing of pharmaceutical ingredients, specialty chemicals and other drugs.

- **Group support**

The firm is part of the Ankleshwar, Gujarat based 'Nigam Group' and thus derives operational and management synergies from the related companies. The group companies are engaged in allied businesses of chemicals and dyes manufacturing and trading.

- **Long term relationships with customers**

Nigam Industries has established long term tie-ups with customers such as Ami Organics, IPCA Laboratories Ltd., UPL Limited, Atul Limited and Dishman Pharmaceuticals and Chemicals Ltd.

- **Small scale of operations and thin profitability**

The firm's scale of operations is small with fluctuating revenue. Net Sales was Rs. 4.76 Crs in FY16 and Rs. 12.53 Crs in FY17. However, in FY18 (provisional), the revenue has decreased to Rs. 9.9 Crs. Profitability was low at 3.24% in FY16 and 1.63% in FY17.

- **Below average financial risk profile**

NI's receivables level is high at 157 days in FY16, which improved to 72 days in FY17. Days Payable is also very high at 378 days for FY16 and 281 days for FY17 respectively. The firm's liquidity position denoted by the Current Ratio was strained at 0.76 times as on 31/3/2016, which improved to 1.04 times as on 31/3/2017. Partners' capital was low at 2.91 Crs as on 31/3/2016 which further decreased to Rs. 2.59 Crs as on 31/3/2017.

- **Highly geared capital structure**

Total debt/ Partners' Capital was 2.66 times as on 31/3/2017 and Overall gearing (TOL/ Partners' Capital) was also high at 3.21 times as on 31/3/2017.

- **Industry Risks**

The firm is part of a highly fragmented and diversified industry and faces intense competition from more established players in the market. Operations are also susceptible to external risks such as change in taxation structures or other Government regulations/ incentives to the industry.

- **Working Capital intensive operations**

The firm's business depends on the availability of working capital financing due to high level of receivables and the nature of the industry.

Rating Outlook : Stable

BWR believes that Nigam Industry's 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 margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

About the Firm

Nigam Industries was established in 1995 at Ankleshwar, Gujarat and is engaged in processing and trading of chemicals which find application in various industries such as pharmaceuticals, agriculture, fertilizers etc. on job work basis. Their business is primarily diversified in three main fields : Textile, Trading and Agro Chemical Industries. The Nigam Group consists of the following entities: Nigam Industries, Nigam Pharma Chemicals, Shree Shraddha Chemical Pvt. Limited, Shiva Dyestuff Pvt. Limited.

Mr. Kameshwar Yadav, Mr. Ramesh Yadav and Mr. Ravindra Yadav are the partners.

Financial Performance

Nigam Industries reported Net Sales of Rs.12.53 Crs for FY17 as against Net Sales of Rs.4.60 Crs in FY16. PAT was Rs. 0.20 Crs for FY17 and Rs. 0.15 Crs for FY16. The firm reported Net Sales of Rs. 9.90 Crs on a provisional basis for FY18. DSCR has marginally improved from 1.55 times in FY16 to 1.87 times for FY17 but ISCR marginally dropped to 2.27 times in FY17 from 2.97 times in FY16.

Key financial indicators are furnished in Annexure II.

Rating History for the last three years:

Facility	Current Rating (June 2018)			Rating History		
	Type	Amount (Rs. Crs)	Rating	2017	2016	2015
Fund Based Cash Credit Term Loan	Long term	0.90 4.05	BWR B+ Outlook : Stable Assigned	Not Rated	Not Rated	Not Rated
	Total	4.95	Rupees Four Crores and Ninety Five Lakhs Only			

Status of non-cooperation with previous CRA: CARE Ratings, vide its press release dated 26 March 2018, has migrated its rating for the bank loan facilities of the firm to the 'Issuer Not Cooperating' category, in the absence of requisite information from the firm to undertake a surveillance of ratings.

Any other information: Not applicable

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Manufacturing Entities](#)
- [Trading Entities](#)
- [Approach to Financial Ratios](#)

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Nigam Industries

Annexure I – Details of Rated Facilities

Bank Facilities Bank of Maharashtra, Piraman, Bharuch	Amount (Rs. Crs)
Fund based	
Cash Credit	0.90
Term Loan	4.05
Total	4.95

Annexure II – Key Financial Indicators

Particulars	31/03/2016 (Audited)	31/03/2017 (Audited)
Net Sales (Rs. Cr)	4.76	12.53
EBITDA (Rs. Cr)	0.87	1.93
PAT (Rs. Cr)	0.15	0.20
Partner's capital (Rs. Cr)	2.91	2.59
Total Debt : Partner's capital (Times)	0.91	2.66
Current Ratio (Times)	0.76	1.04

For print and digital media

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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

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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