



## Rating Rationale

Nu-Chem Oils Pvt. Ltd.

6 Oct 2017

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**Brickwork Ratings assigns ratings for the Loan facilities aggregating Rs. 14.79 Crores of Nu-chem Oils Pvt. Ltd.**

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### Particulars:

Facility	Rated Amount(In Crs)	Tenure	Rating Recommended
Fund Based – Cash Credit	12.00	Long Term	BWR BB (Pronounced as BWR Double B ) Outlook : Stable
Term Loan	2.79		
Total	14.79	Rupees Fourteen Crores Seventy Nine Lacs Only	

^ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials for FY14 to FY16, Provisional financial of FY 17 & Projections for FY 18 & FY 19 and publicly available information and information/clarifications provided by the management of the company.

The rating has inter – alia factored in the experience of directors, moderate debt protection matrices, long term relations with customers and comfortable conversion cycle. However, the rating is constrained by highly competitive industry, high gearing ratio and thin profitability margins.

### Key Rating Drivers

#### Credit Strengths

- **Industry experience of Directors** – Directors are qualified and have experience of more than 10 years in the same line of business.
- **Moderate Debt protection Matrics** – Company has comfortable debt protection matrices with ISCR of 2.63x and DSCR of 1.35x as on 31.03.2017 which reflects its ability to service debt on time.
- **Comfortable conversion cycle with average liquidity** - Company has been able to maintain comfortable working capital conversion cycle of less than 30 days over the years and current ratio of the company stood at 1.23x in FY 17.

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### **Credit Weakness**

- **Intensely competitive nature of the industry and resultant thin profitability-** The edible oil industry is highly fragmented, with the presence of a large number of participants in the organized and unorganized sectors. High competition results in thin profitability margins as Net Profit margin was only 0.55% for FY 17.
- **High Gearing Ratio** – Company's gearing ratio in FY 17 stood at 3.51x which indicates the risky profile as the tangible net worth is on lower side. This is partially offset as the promoters have infused unsecured loans of Rs. 4.83 Crs as on 31.03.2017(increased from Rs. 1.35Crs as on 31.03.2016)

### **Rating Outlook: Stable**

BWR believes the Nu-chem Oils Pvt. Ltd.'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 there is a sustained improvement in the revenues and profits of the company. The rating outlook may be revised to 'Negative' if the revenues and profits reduce due to non implementation of the same.

### **About the Company**

Nu-chem Oils Private Limited is a Private limited company incorporated on 24 January 1991. It is classified as Non-govt company and is registered at Registrar of Companies, Delhi. It is engaged in the extraction of sunflower oil, Rice bran oil and groundnut oil and de-oiled cakes. Company has two plants, One Solvent extraction plant with the capacity of 300 MTPD and another refinery plant with the capacity of 150 MTPD and it operates in 3 shifts in a day. Company's registered office at Village Takhanag G.T. Road, Tarori, Karnal Haryana.

Directors of Nu-chem Oils Private Limited are Mr. Shubham Bansal and Mrs Sangeeta Bansal.

### **Company Financial Performance**

<b>Result Type</b>		<b>31/Mar/2016</b>	<b>31/Mar/2017</b>
		<b>Audited</b>	<b>Provisional</b>
Total Operating Income	Crores	215.01	209.52
OPBDIT	Crores	4.94	4.18
PAT	Crores	1.30	1.14
Tangible Networth	Crores	7.79	8.93
Current Ratio	Times	1.18	1.23
TOL/TNW	Times	3.13	3.51



**Status of non-cooperation with previous CRA:** CRISIL, vide its press release dated August 18<sup>th</sup>, 2017, published that Despite repeated attempts to engage with the management, CRISIL failed to receive any information hence downgraded rating to CRISIL B as issuer non cooperating.

Facility	Tenure	Rating Assigned (2017)		Rating History		
		Rated Amount (In Crs)	Rating Recommended	2016	2015	2014
Fund Based – Cash Credit	Long Term	12.00	BWR BB (Pronounced as BWR Double B) Outlook : Stable	NA	NA	NA
Term Loan		2.79		NA	NA	NA
Total		14.79	Rupees Fourteen Crores Seventy Nine Lacs Only			

**Rating History for the last three years (including withdrawn/suspended ratings)**

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, 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.

**DISCLAIMER**

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