

Rating Rationale

Nivia Synthetics Pvt. Ltd.

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹. 16.77 Crores of Nivia Synthetics Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based			
Cash Credit	8.00	Long Term	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable (Reaffirmed)
Term Loan (Existing)	7.27		
Term Loan (Proposed)	1.50		
Total	16.77	(INR Sixteen Crores Seventy Seven Lakhs Only)	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statements of the company upto FY18 and, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experienced promoters along with long track record of company, established brand image, low gearing ratio and comfortable debt protection metrics in FY 18. The rating however is constrained by limited customer base and competition from international brands.

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Going forward, the ability of the company to improve its scale of operations by increasing the customer base, to manage working capital efficiently, servicing the debt obligations promptly, increasing own funds would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- ❑ **Experienced Management:** Long track record of business operations since 1934 and Experienced promoters , having experience for more than two decades in the sports industry.
- ❑ Nivia Synthetics Pvt. Ltd is a captive manufacturing unit for Freewill Sports Pvt. Ltd, which is a leading company for supplying FIFA approved sports balls in the sports industry. Freewill Sports Pvt Ltd had been rated A /A2+ by CARE on 29th March 2019 for the bank exposure of Rs 39.48 Cr.
- ❑ **Gearing ratio is Moderate** at 1.45 times in FY18, **Debt coverage ratio improved** from 4.43 times in FY17 to 6.55 times in FY18.

Credit Risks:

- ❑ The company may face customer concentration risk as they supply major products to its parent company freewill sports pvt ltd.
- ❑ Intense competition from international brands like Reebok, Nike, Puma and Adidas etc as due to the popularity of international brands amongst Indian customers.

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).

Liquidity Profile: The company has cash & bank balances of Rs. 0.06 Crs as on March 06 2019, Long term borrowings includes term loan amounting to Rs 6.93 Cr from Bank + unsecured loan of Rs 1.50 Cr from directors and other loan & advances of Rs 0.28 Cr in FY18. CPLTD for FY 19 will be INR 0.67 crores and net cash accruals is at 3.94 Crs in FY 18. The cash credit utilization of the last 6 months was around ~75%. The current ratio stood at 1.27 times in FY 18. ISCR and DSCR is at 7.87X and 6.55X in FY 18. NP/OPM was maintained at 4.31% and 10.32% respectively, in FY 18. Conversion Cycle is at 33 days in FY 18 largely due to improvement in receivables as against last year.

Rating Outlook: *Stable/Positive/Negative*

BWR believes the **Nivia Synthetics 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

Nivia Synthetics Pvt. Ltd was incorporated as a private limited company in 1992. Mr. Rajesh Kharabanda, Mr. Vijay Kharabanda (now deceased) and Mrs. Sushil Kharabanda are key Directors of the company. Nivia Synthetics Pvt. Ltd is a subsidiary company of Freewill Sports Pvt. Ltd , (which is engaged in manufacturing and trading of sports goods and accessories approved by FIFA .) The company is also involved in manufacturing of rubber sports balls including Soccer ball, Basketball, Volleyball, Cricket tennis ball and accessories like Sports shoes, soles, gloves and panel sets etc.

Company Financial Performance

The company projected a total operating income of Rs. 51.77 Crs. in FY 18 with PAT of Rs. 2.23 Crs. as compared to total operating income of Rs. 47.14 Crs. in FY 17 with PAT of Rs. 1.53 Crs.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type			
Operating Revenue	₹ Cr	51.77	47.14
EBITDA	₹ Cr	5.34	5.21
PAT	₹ Cr	2.23	1.53
Tangible Net worth	₹ Cr	15.30	13.11
Total Debt/Tangible Net worth	Times	0.89	0.32
Current Ratio	Times	1.27	1.37

Rating History for the last three years

Instrument /Facility	Current Rating			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	16/04/2018	16/05/2017	2016
Fund Based						
Cash Credit		8.00	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable (Reaffirmed)	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable (Reaffirmed)	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable	Not Rated
Term Loan (Existing)	Long Term	7.27				
Term Loan (Proposed)		1.50				
Total		16.77	₹ INR Sixteen Crores Seventy Seven Lakhs Only			

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

Any other information

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)
- https://www.brickworkratings.com/download/Criteria_ManufacturingCompanies.pdf



For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>V.K.Kukreja</i> <i>Associate Director-Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

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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.

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