

## Nirman Associates Private Limited (Revised)

January 06, 2023

### Rating

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	44.71	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
<b>Total Bank Facilities</b>	<b>44.71</b> <b>(₹ Forty-Four Crore and Seventy-One Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Nirman Associates Private Limited (NAPL) is constrained by thin profitability margins of the company owing to trading nature of business, intense competition from other FMCG (Fast moving consumer goods) products and working capital intensive nature of operations. However, the rating derives strength from company's experienced promoters with established track record of operations and long-term association with P&G (Procter and Gamble) brand as principal supplier and widespread distribution network. The rating also take comfort from company's moderate financial risk profile characterised by healthy growth total operating income over the past 5 years, moderate overall gearing and debt coverage indicators.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Improvement in PBILDT and PAT margins above 1.00% and 0.50% on a sustained basis.
- Improvement in net worth base of the company to above 20 crores on a sustained basis.

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Overall gearing ratio deteriorating to above 2.00x on a sustained basis
- Elongation in operating cycle above 30 days resulting in weakening of its liquidity position.

### Detailed description of the key rating drivers

#### Key rating weaknesses

##### **Thin profitability margins**

The profitability margins of the company remain low as exhibited by PBILDT margins of 0.73% in FY22 which improved from 0.63% in FY21. The PBILDT margins of the company remained in the range of 0.63% to 0.73% over the past 3 years. Overall, the profitability remained thin on account of trading nature of business with no value addition. Going forward addition of better margins products in the portfolio is expected to improve the margins and shall remain a key monitorable

##### **Intense competition from other FMCG products**

P&G's products face intense competition from other similar products of competing brands like Hindustan Unilever Limited, Johnson and Johnson, Dabur India Limited, Nirma Limited, & Patanjali Ayurved Limited among others. However, considering the established brand name and long-standing presence of P&G in the market, it is expected to benefit NAPL going forward.

##### **Working capital Intensive nature of operation**

The operations of the company are working capital intensive due to trading nature of business. The company receives the credit period of 11 days + transit days from P&G and it provide credit period of 0-60 days to its customers leading to high requirement of working capital limits. The same is also evident from adhoc limits which were taken by the company from time to time, like in the months of August and September 2022.

#### Key rating strengths

##### **Moderate Financial risk profile**

The financial risk profile of the company is moderate characterised by sustained growth in TOI over the past 5 years from Rs. 427.47 crores in FY18 to Rs. 797.06 crores in FY22 at a CAGR of 13.29%. Further, the capital structure of the company stood moderate with

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

overall gearing ratio of 1.15x in FY22. Also, the company does not have any term loan, and only relies on WC borrowing to carry out daily activities of the business, which signifies no fixed repayment obligation to the company.

#### **Widespread distribution network and strong customer base**

NAPL is the sole distributor for Procter & Gamble in Haryana, Himachal Pradesh and Chandigarh. Absence of other distributors enables a deeper partnership between the two entities. NAPL has widespread distribution network with 20 branches in several districts, and association with more than 54,000 stores. NAPL caters to large and reputed customers like Cloudtail India Private Limited & Flipkart India Private Limited among others.

#### **Experienced Promoters with established track record of operations**

The promoters of the company Mr. Ramandeep Singh Chhabra and his father Late Mr. Ajit Singh Chhabra started a partnership firm by the name of Nirman associates in 2002 and took the exclusive distributorship of P&G (Procter and Gamble) hygiene and health care, P&G home products Pvt Ltd & Gillette India Limited. In 2021 the firm was converted into the private limited company via a business transfer agreement between Nirman associates and Nirman Associates Private Limited. The promoters have over 20 years of industry experience in distribution & wholesaling.

#### **Liquidity: Adequate**

The liquidity position of the company is adequate characterised by sufficient cash accruals vis-à-vis nil repayment obligations. The company is expected to generate GCA of ~Rs.2.50 crore for FY23 against which it has no repayment obligations. However, the fund-based working capital limits is ~70% utilized for the past 7 month's ending October 2022. Company has time to time taken adhoc limit on its working capital borrowings to fund regular business requirements and going forward company plans to raise their CC limit by 5 crores. As on March 31, 2022, the company has free cash and bank balance of Rs 4.26 crore.

**Analytical approach:** Standalone

#### **Applicable criteria**

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy on default recognition](#)

[Rating Outlook and Credit Watch](#)

[Wholesale Trading](#)

#### **About the Company**

Nirman Associates Private Limited (NAPL) is a Private limited company incorporated in September 2020. As per agreement dated April 01, 2021, the company has taken over the operations along with all the Assets and liabilities of M/s Nirman Associates which was a Partnership firm operational since the past 20 years. The Company is engaged in the trading of FMCG goods as distributors of P&G and Gillette India in Haryana, Himachal Pradesh and Chandigarh. Major products which the company distributes include Ariel, Tide, Pampers, Whisper, Pantene, Olay, Oral-B etc. The company is headquartered in Faridabad, and directly covers more than 74,000 stores through 29 branches across the region.

<b>Brief Financials (₹ crore)</b>	<b>March 31, 2021 (A)</b>	<b>March 31, 2022 (A)</b>	<b>H1FY23</b>
Total operating income	732.66	797.06	425.89
PBILDT	4.64	5.83	1.80
PAT	1.57	1.55	NA
Overall gearing (times)	5.50	1.15	NA
Interest coverage (times)	2.24	1.74	NA

A: Audited; NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this firm:** Annexure-4

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	44.71	CARE BB; Stable

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	44.71	CARE BB; Stable				

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of various instruments rated for this firm**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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