

Rating Rationale

July 18, 2016 | Mumbai

Nitin Fire Protection Industries Limited

Total Bank Loan Facilities Rated	Rs.4500 Million
Long Term Rating	CRISIL BBB+/Stable
Short Term Rating	CRISIL A2

(Refer to Annexure 1 for Facility-wise details)

CRISIL's ratings on the bank facilities of Nitin Fire Protection Industries Limited (NFPIL; part of the Nitin group) continue to reflect the comfortable business risk profile of the group because of an established position in the domestic and overseas markets, and ability to offer end-to-end solutions. This strength is partially offset by weakening operating performance and increase in debt over the past three years.

On April 27, 2016, CRISIL had downgraded the ratings to 'CRISIL BBB+/Stable/CRISIL A2' from 'CRISIL A-/Negative/CRISIL A2+'.

The downgrade reflects a decline in the financial risk profile of the group due to increased working capital requirement driven by significant rise in receivables in the domestic business. Consequently, debt burden has increased, leading to deterioration in capital structure and debt protection metrics. The downgrade also factors in weakening of the operating performance in the past three years.

For arriving at its ratings, CRISIL has combined the business and financial risk profiles of NFPIL and its three wholly owned subsidiaries: Eurotech Cylinders Pvt Ltd, Nitin Ventures FZE, and Nitin Global Pte Ltd. This is because all these companies, collectively referred to as the Nitin group, have operational and financial linkages, and common promoters.

Outlook: Stable

CRISIL believes the Nitin group will maintain its business risk profile over the medium term, supported by growth in revenue from overseas business. However, the financial risk profile will remain under pressure over this period due to large working capital requirement and modest cash accrual. The outlook may be revised to 'Positive' in case of higher-than-expected operating margin and significant improvement in working capital management. The outlook may be revised to 'Negative' if profitability declines or working capital requirement increases more than expected, resulting in deterioration in gearing and debt-protection metrics.

About the Group

The Nitin group is promoted by Mr. Nitin Shah and his sons, Mr. Rahul Shah and Mr. Kunal Shah. It is an end-to-end solutions provider for fire protection and safety equipment. It provides gas- and water-based fire protection systems, and caters mainly to the telecommunications, information technology, banking, and manufacturing industries. The group manufactures and trades in high-pressure seamless cylinders and industrial cylinders.

NFPIL, incorporated in 1995, provides fire detection and fire suppression systems, and manufactures fire extinguishers. It entered the United Arab Emirates (UAE) by acquiring a majority stake in New Age Co LLC (New Age), which was an associate before April 2010. New Age is an approved vendor for all seven emirates of the UAE, and has a strong track record of providing fire protection services and maintenance. The Nitin group has a presence in the Middle East through Nitin Ventures FZE and in Singapore through Nitin Global Pte Ltd. Eurotech Cylinders Pvt Ltd trades in high-pressure compressed natural gas cylinders and valves and caters mainly to the domestic market. NFPIL remains part of a non-integrated, non-incorporated joint venture at an oil block in Rajasthan, in which it has 11.1% equity ownership.

For fiscal 2016, the group's profit after tax (PAT) was Rs.986 million on net sales of Rs.11.79 billion, against PAT of Rs.671.14 million on net sales of Rs.11.57 billion in the previous fiscal.

Annexure 1 - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Million)	Rating	Facility	Amount (Rs.Million)	Rating
Bank Guarantee@	390	CRISIL A2	Bank Guarantee#	590	CRISIL A2
Cash Credit*	1125	CRISIL BBB+/Stable	Cash Credit*	1125	CRISIL BBB+/Stable
Letter of Credit	1700	CRISIL A2	Letter of Credit	1500	CRISIL A2

Proposed Cash Credit Limit	125	CRISIL BBB+/Stable	Proposed Cash Credit Limit	125	CRISIL BBB+/Stable
Proposed Letter of Credit	100	CRISIL A2	Proposed Letter of Credit	100	CRISIL A2
Standby Letter of Credit	1060	CRISIL A2	Standby Letter of Credit	1060	CRISIL A2
Total	4500	-	Total	4500	-

* Interchangeable with letter of credit and bank guarantee up to Rs.425 million

@ Interchangeable with letter of credit up to Rs.100 million

Interchangeable with letter of credit up to Rs.300 million

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Manufacturing Companies
Criteria for rating Short-Term Debt (including Commercial Paper)

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