

Press Release

Nipani Infra And Industries Private Limited

D-U-N-S® Number: 86-138-8479

January 09, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 23.50 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 23.50 crore bank facilities of Nipani Infra And Industries Private Limited (Nipani). The outlook is '**Stable**'.

The Jabalpur-based, Nipani (Previously Known as Nipani Industries) was started as a partnership firm in 1996 and converted to Private Limited Company in May 2018. Nipani is engaged in pre-fab business, mainly, specialised in designing, procuring and erection of pre-fabricated steel structures. Nipani mainly focuses on Government projects for construction of barracks, buildings, wireless transmission towers and watch towers, among others besides customer specific structures. It operates across the geographies of Orissa, Chhattisgarh, Madhya Pradesh, Maharashtra, Andhra Pradesh, Kerala, Assam, Rajasthan, Uttarakhand and Andaman and Nicobar, among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Nipani to arrive at the rating.

Key Rating Drivers

Strengths

• Long track record of operations and experienced management

Nipani has been in the pre-fab structure steel business since 1996. The Managing Director, Mr. Rajiv Puri possesses more than two decades of experience in the said line of business. His vast experience in the industry has helped to maintain established relationship with the customers, and winning the business on negotiation or on tender based system particularly Government business. The management, to give a corporate identity, converted the constitution to Private Limited Company from Partnership concern in May 2018. With experienced team of Directors and employees, Nipani's operations spread across the states, thus insulating from the risk of slowdown in investments partially. The same has reflected in comfortable order book growth which increased from Rs.49.00 crore in December 2016 to about Rs.101.00 crore as on November, 2018. Nipani's key orders are from Jabalpur Smart City Limited, Madhya Pradesh Power Generation Company Limited, Orissa State Police Housing & Welfare Co. Limited, among others. The company has reported revenues of Rs.15.15 crore till November 2018. Acuité believes that with the moderate unexecuted order book position to be executed over the next 18-24 months and new orders in pipeline, annual revenues are expected to be in the range of Rs.50.0 crore to Rs.60.0 crore over the medium term.

• Comfortable financial risk profile

Financial risk profile of the company is comfortable marked by strong gearing (debt-equity), healthy total outside liabilities to total net worth (TOL/TNW) and debt protection metrics though constrained by modest net worth. Gearing is strong at 0.31 times as on 31 March, 2018 against 0.10 times as on 31 March, 2017. Total outside liabilities to total net worth is healthy at 0.54 times as on 31 March, 2018 as against 0.35 times as on 31 March, 2017. This is due to less reliance on bank borrowings, though modest net worth. Net worth is modest at Rs.16.10 crore as on March 31, 2018 as against Rs.15.62 crore as on March 31, 2017. While conversion of the constitution, about Rs.2.00 crore has been converted into share capital and balance amount of Rs.15.85 crore has been considered as unsecured loans and sub-ordinated to bank debt. Of the total debt of Rs.5.05 crore as on 31 March, 2018, long term debt constitutes Rs.0.09 crore and working capital loan constitutes Rs.4.96 crore. Debt protection

metrics of interest Coverage Ratio and Net cash accrual to total debt (NCA/TD) are healthy at 5.50 and 0.54 times respectively for FY2018 against 4.42 and 1.57 times respectively in FY2017. It has reported cash accruals of Rs.2.72 crore in FY2018; its cash accruals are expected in the range of Rs. 2.0 - 2.7 crore over the medium term, against which its repayment obligations are minuscule. Acuité believes that with moderate cash accruals and no significant capex plans, the financial risk profile is expected to be comfortable over the medium term.

- **Comfortable working capital management**

Working capital cycle of the company is comfortable reflected in moderate debtors' realisation which stood at 60 days in FY2018 against 37 days in FY2017. Further, inventory holding period improved and stood at 3 days in FY2018 as against 3 days in FY2017. Further, working capital limit utilisation stood at around 50-60 percent for the last six months ended November 2018. Acuité believes that the company's working capital operations are expected to be at similar levels over the medium term.

Weaknesses

- **Modest scale of operations**

Revenues of the company are modest from the last three years through FY2018. Revenues stood at Rs.36.06 crore in FY2018 as against Rs.36.80 crore in FY2017 and Rs.30.47 crore in FY2016. For the eight months period from April-November 2018, the company reported revenues of Rs.15.15 crore. Though it has an unexecuted order book of Rs.101.00 crore as on November 30, 2018 for execution over 18 -24 months, the revenue profile continues to be modest in the industry. Acuité believes that the ability of the company to increase the scale of operations would be the key rating sensitivity factor over the medium term.

- **Highly fragmented industry**

PEB industry is dominated by large organised players such as Tata Blue Scope Steel Limited, Kirby Buildings Systems India Private Limited, among others. Further, Nipani's business is majorly on tender based system which is volatile, besides volatile profitability margins which oscillate around 8 -12 per cent. Also, the business is dependent on the investments and infra spending by the private and government sectors.

- **Volatile raw material prices**

Nipani's major cost component is steel constituting about 50 percent of the operating income. Secondly, Nipani's orders are on fixed contract basis leaving no space for cost escalation, thus impacting the profitability.

Outlook: Stable

Acuité believes that Nipani will maintain 'Stable' outlook over the medium term backed by moderate order book and promoter's relations with the clients. The outlook may be revised to 'Positive' in case of significant improvement in its revenue profile, while improving its profitability and maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of larger-than-expected working capital requirement, or decline in profitability leading to pressure on its liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	36.06	36.80	30.47
EBITDA	Rs. Cr.	2.92	2.92	2.45
PAT	Rs. Cr.	2.33	2.08	1.51
EBITDA Margin	(%)	8.10	7.93	8.04
PAT Margin	(%)	6.47	5.64	4.96
ROCE	(%)	15.31	15.26	13.25
Total Debt/Tangible Net Worth	Times	0.31	0.10	0.46
PBDIT/Interest	Times	5.50	4.42	2.87
Total Debt/PBDIT	Times	1.52	0.49	2.19
GCA Days	Days	141	90	180

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A3
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A3

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About Acuité Ratings & Research:

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