

Press Release

Nipani Infra and Industries Private Limited

June 08, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs.23.50 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.23.50 crore bank facilities of Nipani Infra And Industries Private Limited (Nipani or NIPL). The outlook is '**Stable**'.

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 watchtowers, among others besides customer specific structures. It operates across the geographies of Orissa, Chhattisgarh, Madhya Pradesh, Maharashtra 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 particularly Government entities. Nipani ensures steady order flow from the long vintage and reputed clientele including Jabalpur Smart City Limited, Madhya Pradesh Power Generation Company Limited, Orissa State Police Housing & Welfare Co. Limited, among others. Nipani has an unexecuted order book position of about Rs.80 crore as on March 2020 for execution over 12-18 months which provides revenue visibility over the medium term. Further, for FY2020, the company has reported revenues of Rs.33 crore till March 2020 (provisional).

Acuité believes that NIPL will continue to benefit from the promoter's established presence, strong counterparties and moderate order book will support its business risk profile 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 0.55 times as on 31 March, 2019 against 0.31 times as on 31 March, 2018. Total outside liabilities to total net worth is healthy at 0.78 times as on 31 March, 2019 as against 0.54 times as on 31 March, 2018. This is due to less reliance on bank borrowings, though modest net worth. Net worth is modest at Rs.15.85 crore as on March 31, 2019 as against Rs.16.10 crore as on March 31, 2018. While conversion of the constitution, about Rs.2.00 crore has been converted into share capital and balance amount of Rs.12.28 crore has been considered as unsecured loans and sub-ordinated to bank debt. Of the total debt of Rs.8.71 crore as on 31 March, 2019, long term debt constitutes Rs.0.10 crore and working capital loan constitutes Rs.8.59 crore. Debt metrics of interest Coverage Ratio and Net cash accrual to total debt (NCA/TD) are healthy at 4.04 and 0.23 times respectively for FY2019 against 5.50 and 0.54 times respectively in FY2018. It has reported cash accruals of Rs.1.84 crore in FY2019; its cash accruals are expected in the range of Rs. 1.75 -2.25 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.

Weaknesses

• Modest scale of operations

Revenues of the company are modest and stagnant from the last three years through FY2020 (provisional). Revenues stood at Rs.33 crore in FY2020 as against Rs.22.93 crore in FY2019 and Rs.36.06 crore in FY2018. Though the revenues are stagnant company is able to improve and sustain its operating margin within the range of 8-8.5 percent over the past three years through FY2020 (provisional). 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.

• Working capital intensive nature of operations

Revenues NIPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of around 192 days for FY2019 which emanates from high debtors days of 88 days as on for FY2019 as against 60 days for FY2018. The GCA remains high on account of high debtor and also, other current assets consist of advance given to suppliers and taxes receivables have also resulted into increased GCA days. The company gives credit period of 40-60 days to its customers. Moderate working capital management and moderate accruals lead to moderate utilisation of its working capital limits at about 76 percent over the past 12 months ended March 2020. Acuité believes that NIPL's operations continue to be at similar levels owing to the industry business model.

• 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.

Liquidity Position: Adequate

The company has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. NIPL It has reported cash accruals of Rs.1.84 crore in FY2019; its cash accruals are expected in the range of Rs. 1.75 -2.00 crore over the medium term, against which its repayment obligations are minuscule. The average fund-based working capital utilization stood at 76 percent for the past six months ended March 2020. The company maintained unencumbered cash and bank balances of Rs.1.34 crore as on 31 March 2019. The current ratio stands at 1.82 times as on 31 March 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against no major capex plans over the medium term.

Rating Sensitivities

- Timely execution of the orders and timely receipt of its payments
- Significant improvement in scale of operations, while maintaining profitability margins
- Deterioration in working capital cycle and any unplanned significant capex to deterioration of financial risk profile and liquidity.

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.

Material covenants

None

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	33.93	36.06
PAT	Rs. Cr.	1.76	2.33
PAT Margin	(%)	5.19	6.47
Total Debt/Tangible Net Worth	Times	0.55	0.31
PBDIT/Interest	Times	4.04	5.50

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector Entities- <https://www.acuite.in/view-rating-criteria-51.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
06-Mar-2020	Cash Credit	Long Term	10.00	ACUITE BB+ Issuer not co-operating* (Downgraded from ACUITE BBB-/Stable)
	Letter of credit	Short Term	1.50	ACUITE A4+ Issuer not co-operating* (Downgraded from ACUITE A3)
	Bank Guarantee	Short Term	12.00	ACUITE A4+ Issuer not co-operating* (Downgraded from ACUITE A3)
09-Jan-2019	Cash Credit	Long Term	10.00	ACUITE BBB-/Stable (Assigned)
	Letter of credit	Short Term	1.50	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	12.00	ACUITE A3 (Assigned)

***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 BB+/Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4+ (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022-4929 4041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-4929 4011 rating.desk@acuite.in
Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-4004 2327 bhavansankar.oruganti@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.