

Press Release

Nipani Infra And Industries Private Limited (Erstwhile Nipani Industries)

July 27, 2021



Ratings Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and the 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 (NIIPL). The outlook is '**Stable**'.

About the rated entity

Nipani Infra and Industries Private Limited (NIIPL), was initially set up as Nipani Industries, a partnership firm in 1996 by Mr. Rajiv Puri. The same was converted into Private Limited Company in May 2018 under current nomenclature. The company is engaged in civil construction along with constructing steel engineered building and Light Gauge Framing Systems (LGFS). The company is mainly, specialized in designing, procuring and erection of pre-fabricated steel structures.

Initially, NIPPL used to execute Government projects pertaining to construction of barracks, buildings, wireless transmission towers and watch towers, among others besides customer specific structures. The company has executed orders across 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 profile of NIIPL to arrive at Rating.

Key Rating Drivers

Strengths

• **Experience management with long track record of operations**

NIIPL has been executing work order since 1996. Mr. Rajiv Puri (Managing Director) has 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 getting the business through negotiation or on tender based. The management converted the constitution to Private Limited Company in May 2018 to give a corporate identity.

• **Moderate order book position**

NIIPL has outstanding work order of Rs.62.77 crore as on July 02, 2021 with tenor of projects between 3 months to 18 months which provides revenue visibility for short term to more than one year. The major portion of orders are from Jabalpur Smart City Limited. Further, the company has also been executing orders for private entities. As, the top two orders constitute 66.5% of total outstanding orders, timely execution of same would be important for revenue generation. However, the work is being carried out for those two projects as per scheduled timelines.

• **Comfortable financial risk profile**

The financial risk profile of the company remains at comfortable level with debt equity ratio below unity. The company has also considered the unsecured loan as quasi equity which resulted in strengthening of tangible net worth. The tangible net worth of the company remained at Rs.8.71 crore as on March 31, 2021 (Provisional) vis-à-vis Rs.6.98 crore as on March 31, 2020. Further, the TOL/TNW remained at 0.89 times

during FY2021 (Provisional) vis-à-vis 0.61 times in FY2020. The interest coverage ratio, however deteriorated to 2.90 times in FY2021 (Provisional) against 3.15 times in FY2020 due to increase in interest expenses, as the company had availed COVID loan during the year.

Weaknesses

- **Modest scale of operations**

The company's scale of operation remains at modest level, despite being in business for more than 2 decades. The operating income of the company continues to remain at moderate level of Rs.35.85 crore in FY2021 (Provisional) against Rs.33.86 crore in FY2020. In line with improvement in revenue, the EBITDA also improved marginally from Rs.3.27 crore in FY20 to Rs.3.57 crore in FY21. The EBITDA margin continues to remain stable at 9.65- 9.97% in FY2020-2021. The healthy margins are on account of executing major orders received through tenders which involves higher margin. The PAT level also improved from Rs.1.58 crore in FY2020 to Rs.1.73 crore in FY2021 and PAT margin continues to remain at 4.81% in FY2021 (Provisional) as against 4.66% in FY2020.

Albeit, the financial performance of the company has marginally improved, the scale of operations continues to remain at moderate level.

- **Working capital intensive operations**

The company has stretched working capital cycle with high gross current asset (GCA) days of 260 days in FY2021 (Provisional) as against 213 days in FY2020. The debtor's period also increased to 107 days in FY2021 (Provisional) against 66 days in FY2020, mainly due to increase in receivables due more than 6 months as on March 31, 2021. The inventory days however declined to 33 days in FY2021 (Provisional) against 62 days in FY2020. The creditors days remained at similar level at 46 days in FY2021 and FY2020. The total debtors outstanding as on March 31, 2021 remained at Rs.10.54 crore.

The company has receivables due for more than 365 days amounting to Rs.2.45 crore as on July 02, 2021. Hence, realization of same is expected in current fiscal. The average utilization level for 6 months ending May 2021, remained high at 88%.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The company has an adequate liquidity position marked by satisfactory net cash accruals against its maturing debt obligations. The company generated Net Cash Accruals of Rs.2.03 crores for FY2021 (Provisional) as against debt repayment obligations of Rs.1.28 crores. This apart, the company also has cash and bank balance of Rs. 4.04 crores for the year ending March 31, 2021 (Provisional) against Rs.2.54 crore in FY2020. The current ratio remained at similar level at 1.75 times for year ending FY2021 (Provisional) against 1.84 times for year ending FY2020. The fund-based working capital utilisation remained high at 88% for 6 months ending May 2021. The company is expected to generate net cash accruals of Rs.2.57 crore to Rs.3.36 crore during FY22-FY24, which is expected to provide enough cushion for debt servicing which ranges between Rs.0.10 crore-Rs.0.84 crore during the same period.

Outlook: Stable

Acuité believes that the group will continue to maintain a 'Stable' outlook over near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	35.85	33.86
PAT	Rs. Cr.	1.73	1.58
PAT Margin	(%)	4.81	4.66
Total Debt/Tangible Net Worth	Times	0.61	0.49
PBDIT/Interest	Times	2.90	3.15

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

Not Applicable

Any other information

None.

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-June-2020	Cash Credit	Long Term	10.00	ACUITE BB+/Stable (Reaffirmed)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	12.00	ACUITE A4+ (Reaffirmed)
06-Mar-2020	Cash Credit	Long Term	10.00	ACUITE BB+; Issuer Not Cooperating, (Downgraded ACUITE BB-; Stable)
	Letter of Credit	Short Term	1.50	ACUITE A4+; Issuer Not Cooperating (Downgraded ACUITE A3)
	Bank Guarantee	Short Term	12.00	ACUITE A4+; Issuer Not Cooperating (Downgraded 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	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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