

Press Release

Nipani Infra And Industries Private Limited

January 31, 2022



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	13.50	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	23.50	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on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.

The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the company and no objection certificate (NOC) received from the banker.

About the Company

Madhya Pradesh based Nipani Infra and Industries Private Limited (NIPL), was initially set up as Nipani Industries, a partnership firm in 1996 by Mr. Rajiv Puri. The same was converted to 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.

Analytical Approach

Acuite has considered standalone business and financial risk profile of NIPL

Key Rating Drivers

Strengths

Experience management with long track record of operations

NIPL 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

NIPL has outstanding work order of Rs.79.12 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.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

Not Applicable

Material covenants

None

Liquidity: 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

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (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

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of 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/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Jul 2021	Cash Credit	Long Term	10.00	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	12.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
08 Jun 2020	Letter of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	12.00	ACUITE A4+ (Reaffirmed)
06 Mar 2020	Bank Guarantee	Short Term	12.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	10.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Downgraded and Issuer not co-operating*)
09 Jan 2019	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	12.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	1.50	ACUITE A3 (Assigned)
22 Nov 2018	Cash Credit	Long Term	6.00	ACUITE BBB- (Withdrawn)
	Letter of Credit	Short Term	1.50	ACUITE A3+ (Withdrawn)
	Proposed Bank Facility	Long Term	5.42	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	0.08	ACUITE BBB- (Withdrawn)
	Bank Guarantee	Short Term	7.00	ACUITE A3+ (Withdrawn)
27 Apr 2018	Cash Credit	Long Term	6.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Term Loan	Long Term	0.08	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Letter of Credit	Short Term	1.50	ACUITE A3+ (Upgraded from ACUITE A4+)
	Bank Guarantee	Short Term	7.00	ACUITE A3+ (Upgraded from ACUITE A4+)
	Proposed Bank Facility	Long Term	5.42	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
07 Feb 2017	Cash Credit	Long Term	6.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.38	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	7.00	ACUITE A4+ (Reaffirmed)
		Long		

	Proposed Bank Facility	Term	5.12	ACUITE BB+ Stable (Reaffirmed)
27 Nov 2015	Cash Credit	Long Term	6.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.45	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	7.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Long Term	5.05	ACUITE BB+ Stable (Reaffirmed)
05 Sep 2014	Cash Credit	Long Term	3.30	ACUITE BB+ Stable (Assigned)
	Proposed Cash Credit	Long Term	0.80	ACUITE BB+ Stable (Assigned)
	Ad-hoc limits (Fund Based)	Long Term	0.90	ACUITE BB+ Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)
	Proposed Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	2.15	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	10.85	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4+ Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+ Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

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