# Press Release

**Nirmala Polyropes India Private Limited**

**D-U-N-S® Number: 86-316-0109**

February 19, 2019

**Rating Assigned**

| | |
|---|---|
| **Total Bank Facilities Rated*** | Rs. 12.20 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 )** and short term rating of **'ACUITE A3+' (read as ACUITE A three plus)** on the Rs. 12.20 crore bank facilities of Nirmala Polyropes India Private Limited. The outlook is **'Stable'**.

Nirmala Polyropes India Private Limited (NPPL) incorporated in 2008 is based out of Coimbatore, Tamil Nadu. NPIPL is engaged in the manufacture of HDPE Twines, Fishnet, and Danline Ropes in various grades for Trawling, Gill netting, Aquaculture, Agriculture, Safety & various other commercial needs. About Group Companies: Nirmala Filaments (India) Pvt Ltd (NFPL) Established in 1988, Nirmala Filaments manufactures Nylon Lines from 0.20mm to 3.20mm, which is being used for Commercial Fishing Gears like Long Lines & fishing lines. Nirmala Monofil Pvt Ltd (NMPL) Established in 2003, Nirmala Monofil manufactures Nylon Monofilament nets, polyester lines for stay wire application, and nylon weed cutters among others.

### Analytical Approach

Acuité has consolidated the business and financial risk profiles of NPPL, NFPL and NMPL (herewith referred to as Nirmala group or group) to arrive at the rating. The consolidation was on account of common promoters and common line of business with marginal amount of operational and financial linkages.

## Key Rating Drivers

### Strengths

- **Extensive experience of the promoters**

  Nirmala group is established in 1988 and the Nirmala group's promoters have more than three decade-long experience of the in the Man-made filaments & fibres industry via various associate concerns. Overall management is looked after by the directors Mr. Biju Thomas, Mr. Gisto Joseph, Mr. John Kallatt, Mr. Francis Joseph and Mr. Bency Biju. The three decade-long experience of the promoters in the industry helped foster healthy relations with customers and dealers which has helped the group in obtaining repeat orders. The group derives majority of its revenues from the domestic market of about 80 per cent, and rest from exports. Acuité believes that Nirmala group shall continue to benefit from the extensive industry experience of its promoters in improving its business risk profile over the medium term.

- **Healthy financial risk profile**

  Financial risk profile is supported by moderate networth, strong gearing, and robust debt protection metrics. Networth was moderate at Rs. 46.16 crore as on March 31, 2018, due to steady accretions to reserve. Gearing (debt-to-equity) is strong at 0.34 times for fiscal 2018 against 0.39 times for FY2017. The group's total outside liabilities to total networth (TOL/TNW) is healthy at 0.57 times in FY2018. Healthy owing to moderate networth, efficient working capital management and low reliance on working capital borrowings. The group has reported cash accruals of Rs.12.92 crores in FY2018. It is expected to generate accruals in the range of Rs.12-14 crores, against which its repayment obligations are about Rs.2.50 Crs over medium term. The debt protection metrics are robust: with net cash accruals to total debt and interest coverage ratios at 0.82 and 9.64 times respectively for FY2018. Acuité believes that in the absence of significant debt-funded capex plans and moderate accruals, the financial risk profile is expected to be at similar levels over the medium term.

- **Efficient working capital management**
Efficient working capital management Nirmala Group's working capital operations are efficiently managed as evident from Gross Current Assets (GCA) of 90-125 days historically due to prudent inventory management, and efficient collection of trade receivables. The inventory days are of less than 45 days historically through FY2018. This results in low reliance on bank lines at about 45 percent over six months through December 2018. Acuité believes that Nirmala groups operation continues to be efficiently managed supported by moderate net worth, efficient collection mechanism and in time inventory levels.

- **Steady improvement in operating profitability**
The group's revenues though modest and stagnant over the past three years, however its profitability has marginally improved year over year; attributed to focus on high margin products with change in product mix, better operating efficiencies and efficient working capital management. Operating margins improved consistently to 17.14 per cent in fiscal 2018 from 14.49 per cent in fiscal 2016Acuité believes that the margins are expected to be at similar levels over the medium term.

### Weaknesses

- **Modest s scale of operations and stagnant revenues**
Nirmala group is in the business for nearly three decades. Despite the long track record of operations and established market presence, the scale remains modest, as evident from topline of about Rs.100 crores for the past three years. Stagnant revenues is partly attributed to intense competition, geographical concentration with entire group operations in and around Coimbatore, group focusing on high-value or high margin products and major revenues from domestic market to an extent of about 80 per cent. Acuité believes that modest scale and exposure to intense competition may continue to constrain the business risk profile over the medium term.

- **Stiff competition in price conscious domestic market and susceptibility of margins to raw material prices**
The group operates in a highly price sensitive domestic market that is largely fragmented with presence of several smaller players, which restricts its pricing flexibility. Furthermore, the key raw material for the operations are nylon chips, which is a petroleum derivative and whose prices are volatile. However, the group majorly sources its raw material from the domestic suppliers of Gujarat State Fertilizers and Chemicals Limited, GAIL India Ltd, Reliance Industries Ltd among others thus insulating from foreign exchange risks in case of imports. However, intense competition and volatility in raw material prices continues to constrain its ability to pass on the raw material prices and its pricing flexibility.

### Outlook: Stable

Liquidity Position Nirmala group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated moderate cash accruals of Rs.10 - 13 crores over the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.3-5 crores over the same period. The cash accruals of the group are expected in the range of Rs.13-15 crores over the medium term, against which its repayment obligations are around Rs.1.5 - 2.5 crores. Its working capital limits are moderately utilised at about 45 percent over the past six months through December 2018 owing to efficient working capital management with GCA of about 100 - 120 days. The current ratio of the group is healthy at 1.78 times as on March 31, 2018. Acuité believes that the liquidity of the group is likely to remain adequate to support its incremental working capital requirements and margin money for the capex. Outlook: Stable Acuité believes that Nirmala Group will maintain a 'Stable' outlook over the medium term from its promoter's entrepreneurial experience and financial flexibility. The outlook may be revised to 'Positive' in case of significant growth in its revenues while improving its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital operations or any significant debt-funded capex leading to deterioration of its financial risk profile and liquidity.

### About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 100.56 | 105.90 | 102.75 |
| EBITDA | Rs. Cr. | 17.23 | 16.83 | 14.89 |
| PAT | Rs. Cr. | 6.94 | 6.53 | 4.29 |
| EBITDA Margin | (%) | 17.14 | 15.89 | 14.49 |
| PAT Margin | (%) | 6.90 | 6.17 | 4.18 |
| ROCE | (%) | 19.48 | 22.06 | 38.79 |
| Total Debt/Tangible Net Worth | Times | 0.34 | 0.39 | 0.48 |
| PBDIT/Interest | Times | 9.64 | 9.44 | 5.01 |
| Total Debt/PBDIT | Times | 0.90 | 0.90 | 1.04 |
| Gross Current Assets (Days) | Days | 124 | 100 | 90 |

**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
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Consolidation Of Companies - https://www.acuite.in/view-rating-criteria-22.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 | 4.00 | ACUITE BBB / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 7.20 | ACUITE BBB / Stable |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 1.00 | ACUITE A3+ |

**Contacts**

| Analytical | Rating Desk |
|---|---|
| Srihari Adari<br>Head - Corporate and Infrastructure Sector Ratings<br>Tel: 040-40042327<br>srihari.adari@acuite.in<br><br>Bhavani Sankar Oruganti<br>Senior Analyst - Rating Operations | Varsha Bist<br>Manager - Rating Desk<br>Tel: 022-67141160<br>rating.desk@acuite.in |

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|---|---|
| Tel: 040-40055452<br>bhavanisankar.oruganti@acuiteratings.in | |

**About Acuité Ratings & Research:**
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