

Press Release

Nirmala Polyropes India Private Limited

June 17, 2021

Rating Upgraded



Total Bank Facilities Rated	Rs.12.20 crore
Long Term Rating	ACUITE BBB+/ Stable (Upgraded)
Short Term Rating	ACUITE A2 (Upgraded)

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB+ ' (read as ACUITE triple B plus)** from '**ACUITE BBB' (read as ACUITE triple B)** and the short term rating to '**ACUITE A2 ' (read as ACUITE A two)** from '**ACUITE A3' (read as ACUITE A three)** to the Rs.12.20 crore bank facilities of Nirmala Polyropes India Private Limited (NPIPL). The outlook is '**Stable**'.

The rating upgrade is driven by the improvement in the overall business risk profile of the group marked by the increase in their profitability levels. Further, the ratings also derives comfort from the group's experienced management, long track record of operations and sustenance of the group's healthy financial risk profile coupled with the strong liquidity position.

Incorporated in 2008 and based out of Coimbatore, Tamil Nadu, Nirmala Polyropes India Private Limited(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 the Group

Established in 2002, Nirmala Monofil Private Ltd (NMPL) manufactures nylon monofilament yarn and fishing nets, polyester lines for stay wire application, and nylon weed cutters.

Established in 1988, Nirmala Filaments India Private Limited (NFIPL) manufactures nylon monofilament yarn and lines from 0.20mm to 3.20mm, which is being used for commercial fishing. The company caters to customers including A R Enterprises, Save Traders and Hai Investments. NFIPL procures nylon copolymer chips from UBE Industries Limited and Gujarat State Fertilizers & Chemicals Limited.

Analytical Approach

For arriving at the ratings, Acuite has consolidated the business and financial risk profiles of NFIPL, NMPL and NPIPL, collectively referred to as Nirmala group, as both the entities are into similar line of business, common management. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

• Established presence in the industry

Nirmala group was established in 1988 and the promoters have more than three decades of experience of the in the man-made filaments & fibres industry. The day to day operations are looked after by the directors Mr. Biju Thomas, Mr. Gisto Joseph, Mr. John Kallatt, Mr. Francis Joseph and Mrs. Bency Biju. Acuite believes the established presence in the industry has enabled the group to develop a long standing healthy relationship with its customers including A R Enterprises, Vasantham Industries Centre, National Trading Company and Bee Cee Nylons and suppliers such as Gujarat State Fertilizers & Chemicals Limited, Haldia Petrochemicals Limited and UBE Chemicals which will continue to support the business risk profile over the medium term.

• Healthy financial risk profile

The group's healthy financial risk profile is marked by moderate net worth, comfortable gearing and strong debt protection metrics. The net worth of the group improved to Rs.73.27 as on March 31,2021 (Provisional) from 62.16 crores as on March 31 due to retention of profits. The group has gearing at 0.09 times as on March

31,2021 (Provisional) as against 0.15 times as on March 31, 2020. The debt of Rs.9.26 crores long term debt of Rs.6.31 crores and maturing obligation of Rs.2.94 crore as on 31st March 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood low at 0.17 times as on March 31,2021 (Provisional) as against 0.24 times as on March 31, 2020 and 0.34 times as on March 31, 2019. The strong debt protection metrics of the group is marked by Interest Coverage Ratio at 21.65 times in FY2021 (Provisional) as against 15.82 times in FY2020 and 11.14 times in FY2019, Debt Service Coverage Ratio stood at 4.67 times in FY2021 (Provisional) as against 4.34 times in FY2020 and 3.29 times in FY2019 and Net Cash Accruals to total Debt (NCA/TD) stood at 2.73 times in FY2021 (Provisional) against 1.60 times for FY 2020 and 1.50 times for FY 2019. Acuite believes that the financial profile of the group is expected to remain the same in the absence of any major debt funded capex plan over the medium term.

• **Improvement in profitability margins**

Operating margin of the group increased to 17.91 percent for FY2020 from 15.33 percent in FY2019. Again in FY2021, the operating margin increased to 22.34 per cent in FY2021 (Provisional) as the group is focussing on selling high margin products. Similarly, the PAT margin increased to 11.90 percent for FY2021 (Provisional) from 8.42 percent in FY2020. Acuite believes that the group's ability to sustain the growth momentum in its profitability metrics going forward would be key rating sensitivity.

Weaknesses

• **Modest scale of operations**

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.105-Rs.116 crores for the past three years through FY2021. Going forward, the ability of the company to improve its scale of operations will be a key rating sensitivity factor.

• **Stiff competition in price in 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. The major raw material requirement of the group is a petroleum derivative, bulk of which is imported, thereby making it susceptible to fluctuations in crude prices and forex rates. The group's ability to pass on the increasing costs is also been restricted by growing competition. However, the group majorly sources its raw material from the domestic suppliers of Gujarat State Fertilizers and Chemicals Limited, Haldia Petrochemicals Limited among others thus insulating from foreign exchange risks in case of imports. Acuite believes intense competition and volatility in raw material prices continues to constrain its ability to pass on the raw material prices and its pricing flexibility.

Rating Sensitivity

- Sustenance of financial risk profile
- Improvement in scale of operations

Material Covenants

None

Liquidity Profile: Strong

The group's liquidity is strong marked by current ratio which stood at 4.89 times as on March 31, 2020 as compared to 3.21 times as on March 31,2019. The fund based limit remains utilised at 22 per cent over the six months ended April, 2021. The group has neither availed covid loan nor loan moratorium and had steady net cash accruals of Rs.17.51 crores in FY2021 (Provisional) as against long term debt repayment of Rs.2.48 crores over the previous period. The cash and bank balances of the group stood at Rs.2.31 crores as on March 31, 2020 as compared to Rs.1.22 crores as on March 31, 2019. Acuite believes that going forward the group will maintain adequate liquidity position due to steady accruals in the medium term.

Outlook: Stable

Acuite believes that Nirmala Group will maintain a 'Stable' outlook over the medium term from its promoters' experience, long standing relationship with customers and suppliers and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in its revenues. Conversely, the outlook may be revised to 'Negative' in case of any significant debt-funded capex leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	104.95	115.95
PAT	Rs. Cr.	8.83	7.43
PAT Margin	(%)	8.42	6.43
Total Debt/Tangible Net Worth	Times	0.15	0.17
PBDIT/Interest	Times	15.82	11.14

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>
- Application of 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
24-Mar-20	Term Loan	Long Term	3.57	ACUITE BBB/Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB/Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Proposed bank facility	Long Term	3.63	ACUITE BBB/Stable (Reaffirmed)
19-Feb-19	Term Loan	Long Term	7.20	ACUITE BBB/Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB/Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A3+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.) Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB+/ Stable (Upgraded)
Term Loan	Not Available	Not Available	Not Available	7.20	ACUITE BBB+/ Stable (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2 (Upgraded)

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About Acuité Ratings & Research:

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