

Press Release

Nirmala Polyropes India Private Limited

August 26, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.00	-	ACUITE A2 Reaffirmed
Bank Loan Ratings	11.20	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	12.20	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

The rating reaffirmation factors in the steady growth in the business risk profile of the group in FY22, driven by improvement in the global demand buoyed by repeat orders from its global vintage clientele. The ratings also factor in the established track record of the promoters, healthy financial profile, characterised by a conservative capital structure and strong coverage indicators, apart from adequate liquidity in the form of surplus cash accruals. These strengths are however, partly offset by the working capital intensity in group's operations and exposure to volatility in raw material prices and freight costs.

About Company

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

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. Nirmala Polyropes India Pvt Ltd, Nirmala Filaments (India) Pvt Ltd, Nirmala Monofil Pvt Ltd are collectively known as Nirmala group. The Nirmala group is engaged into manufacturing of The HDPE nets, HDPE twine, danline ropes, nylon monofilament nets, nylon monofilament yarn, nylon lines and HDPE ropes.

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. NFIPL procures nylon copolymer chips from UBE Industries Limited and Gujarat State Fertilizers & Chemicals Limited.

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

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at the ratings, Acuité has consolidated the business and financial risk profiles of NFIPL, NMPL and NPIPL, collectively referred to as Nirmala group, as all the entities are into similar line of business and have a common management.

Key Rating Drivers

Strengths

Experienced management and established relationship with customers

Nirmala group was established in 1988 and the promoters have more than three decades of experience in the man-made filaments & fibres industry via various associate concerns. The day to day operations are looked after by the directors Mr. Biju Thomas, Mr. Gisto Joseph, Mr. John Kallatt, Mr. Francis Joseph and Mr. Bency Biju. The experience of the promoters in the industry has helped foster healthy relations with customers and dealers; which has helped the group in obtaining repeat orders and cater to global markets of Sri Lanka, Italy, Morocco, Spain, the UAE, USA and Greece, etc. 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.

Stable business risk profile

The group reported revenue of Rs.111.56 crores in the FY2022 (Provisional) as compared to Rs.108.18 crores in the previous year. Further, the group has already achieved Rs. 30 Cr. till June 2022 (Provisional). The stability in revenue is backed by established market position of the group, increase in realizations and global demand for its products. Established relationships with customers, some of whom have been associated with the group for over a decade, is reflected in the flow of repeat orders. It also operated at a healthy capacity in FY22 driven by increase in demand of the products.

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.81.88 as on March 31, 2022 (Provisional) from 74.90 crores as on March 31, 2021 due to accretion of reserves. The group's capital structure has been at healthy level due to limited reliance on external funds yielding gearing below unity and Total outside Liabilities/Tangible Net Worth (TOL/TNW) of 0.18 times for year ending on 31st March 2022 (provisional). The group's debt protection metrics have remained strong despite moderation in profitability margins in FY22. The strong debt protection metrics of the group is marked by Interest Coverage Ratio at 21.75 times in FY2022 (Provisional) as against 23.33 times in FY2021; Debt Service Coverage Ratio stood at 3.71 times in FY2022 (Provisional) as against 5.06 times in FY2021. Net Cash Accruals/Total Debt (NCA/TD) stood high at 4.37 times as on March 31, 2022 (Provisional). Acuité 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.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations of the group is marked by high Gross Current Assets (GCA) of 156 days as on March 31, 2022 (prov) as against 110 days as on March 31, 2021, driven by higher inventory holding period at 62 days as on 31st March, 2022

(Prov) against 45 days in the previous year. As 30 percent of the raw material (nylon chips) are imported from Thailand, the group maintains inventory for around 2 months, in response to the global shortage of containers and delay at ports. However, the debtor period stood moderate at 56 days as on March 31, 2022 (Prov) as compared to 51 days as on 31st March 2021. Working capital requirement is partially supported by credit of around 49 days from suppliers. Going forward, Acuité believes that the working capital management of the group will remain at similar levels as evident from the high inventory level.

Decline in profitability margins

The profitability margins of the group have decreased significantly in FY2022 owing to increase in the raw material prices and the group's inability to pass on the same to the customers. The group's major raw materials are nylon 6, nylon 66 and polyethylene terephthalate (PET). The raw materials being crude derivatives, expose the group's margins to adverse movements in raw material prices. The operating margin declined to 14.48 per cent in FY2022 (Provisional) from 22.19 per cent in FY2021. Also the freight costs have skyrocketed along with unavailability of the containers, which adversely impacted the margins. The PAT margin of the group also declined to 6.26 per cent in FY2022 (Prov) from 11.78 per cent in FY2021. In FY2021, there was growth in profitability margins, primarily on account of decline in raw material price; nylon chip whose price is directly related to that of crude oil price during the year, which resulted in significant increase in operating margin in FY21 from 8.42 per cent in FY20. Despite a buoyancy in realisations in current year, Acuité expects the company's margins at similar levels in FY2023 on account of elevated raw material costs. Also, earnings and the operating profitability margin depend upon government regulations such as anti-dumping duties on nylon yarn.

Rating Sensitivities

- Sustenance of financial risk profile
- Improvement in scale of operations
- Elongation of working capital cycle

Material Covenants

None

Liquidity Position: Strong

The group's liquidity is strong marked by healthy net cash accruals which stood at Rs.13.78 Crs in FY 2022 (Prov) as against long term debt repayment of only Rs. 3.12 Crs during the same period. Lower reliance on external borrowings ensures average fund based limit utilization for the past one year ended June, 2022 standing at only ~ 7.00 percent and non-fund based limit utilization at ~ 62.18 percent. Further, the current ratio also stood strong at 3.90 times as on March 31, 2022 (Prov). The cash and bank balances of the group stood at Rs.3.14 Crs as on March 31, 2022 (Prov) as compared to Rs.1.39 Crs as on March 31, 2021. However, the working capital management of the group is intensive as reflected by Gross Current Assets (GCA) of 156 days as on March 31, 2022 (Prov) as against 110 days as on March 31, 2021. Acuité believes that going forward the company will continue to maintain adequate liquidity position owing to steady accruals backed by improvement in earnings led by high demand.

Outlook: Stable

Acuité 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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	111.56	108.18
PAT	Rs. Cr.	6.98	12.74
PAT Margin	(%)	6.26	11.78
Total Debt/Tangible Net Worth	Times	0.04	0.12
PBDIT/Interest	Times	21.75	23.33

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

India Ratings, vide its press release dated July 28, 2022 had reaffirmed the rating of Nirmala Polyropes India Private Limited to 'IND-RA BB+/A4+; ISSUER NOT COOPERATING'.

Any Other Information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
17 Jun 2021	Term Loan	Long Term	7.20	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Letter of Credit	Short Term	1.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	4.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
24 Mar 2020	Term Loan	Long Term	3.57	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)
	Cash Credit	Long Term	4.00	ACUITE BBB Stable (Reaffirmed)
19 Feb 2019	Letter of Credit	Short Term	1.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	7.20	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB+ Stable Reaffirmed
Federal Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A2 Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	8.20	ACUITE BBB+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Pooja Ghosh Vice President-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Srijita Chatterjee Analyst-Rating Operations Tel: 022-49294065 srijita.chatterjee@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, 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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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.