



Press Release
Nirmala Polyropes India Private Limited
November 22, 2023
Rating Reaffirmed

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

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB+**' (read as **ACUITE t riple 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 remains '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation factors in the established track record of the promoters and the group's healthy financial risk profile reflected by low gearing and healthy debt coverage indicators. The rating also factors the adequate liquidity position of the group marked by surplus cash accruals and low fund based bank limit utilisation. These strengths are however, partly offset by the moderations in the scale of operations of the group coupled with decline in profitability margins and the working capital intensive operations.

About the Company

Incorporated in 2008 and based in Tamil Nadu, Nirmala Polyropes India Private Limited (NPIPL) is engaged in the manufacturing of HDPE twines, fishnet, and danline ropes in various grades for trawling, gill netting, aquaculture, agriculture, safety & various other commercial needs. Mr. Gisto Joseph, and Mr. Biju Thomas are the directors of the company.

About the Group

Incorporated in 1998, Nirmala Filaments India Private Limited (NFIPL) is based in Kerala and engaged in the manufacturing of nylon yarn and lines which is being used for commercial fishing gears. The company is currently managed by Mr. Gisto Joseph and Mr. Biju Thomas.

Based in Tamil Nadu, Nirmala Monofil Private Limited (NMPL) is incorporated in the year 2002. It is engaged in the manufacturing of nylon monofilament yarn and fishing nets, polyester lines for stay wire application, and nylon weed cutters. NMPL is promoted by Mr. Ginoy Joseph and Mr. Biju Thomas.

Unsupported Rating

Not Applicable

Analytical Approach

For arriving at the rating, Acuite 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.

Extent of consolidation: Full

Key Rating Drivers

Strengths

Experienced management and long track record of operations

Incorporated in 1988, the group has established a long standing in the industry. It is managed by the promoters, Mr. Biju Thomas and Mr. Gisto Joseph along with a group of professionals having more than three decades of experience in the man-made filaments & fibres industry via various associate concerns. Acuité believes that the extensive experience of the promoters will continue to benefit the group in its growth plans, going forward.

Healthy relationship with customers coupled with diversified geographic presence

Aided by the promoters' experience, the group has fostered healthy relations with its customers and suppliers, thereby, facilitating regular and repeat orders. Further, the group has a diversified geographical presence and caters to the global markets of Sri Lanka, Italy, Morocco, Spain, the UAE and Greece, among others.

Acuité derives comfort from the geographic exposure of the group along with the healthy clientele relationships.

Healthy financial risk profile

The group's healthy financial risk profile is marked by improving net worth, low gearing and healthy debt protection metrics. The tangible networth of the group improved to Rs.88.05 Cr as on March 31, 2023 from Rs.82.82 Cr as on March 31, 2022 due to accretion to reserves. Gearing of the group remained low at 0.04 times in FY2023 due to limited reliance on external funds. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.13 times for year ending on 31st March 2023. The group's debt protection metrics have remained healthy despite moderation in profitability margins in FY23. The healthy debt protection metrics of the group is marked by Interest Coverage Ratio at 14.78 times in FY2023 and Debt Service Coverage Ratio stood at 5.04 times in FY2023. Net Cash Accruals/Total Debt (NCA/TD) stood high at 3.06 times as on March 31, 2023.

Acuité believes that the financial profile of the group is expected to remain healthy in the absence of any major debt funded capex plan over the medium term.

Weaknesses

Moderations in the scale of operations and dip in the profitability margins

The group has witnessed moderations in the operating income and has achieved revenues of Rs.99.93 Cr in FY2023 as compared to Rs.111.68 Cr in FY2022 owing to decline in the exports to Sri Lanka due to the economic turmoil faced by the country over the last year. However, the group has achieved revenues of Rs. 57.88 Cr till September, 2023 (Provisional).

Furthermore, the profitability margins in FY2023 were also hampered due to the decline in revenues as against the rise in the cost of materials which could not be entirely passed on to the customers. The operating margin stood at 12.96 per cent in FY2023 as compared to 15.19 per cent in FY2022. The PAT margin also dipped to 5.24 per cent in FY2023 from 7.09 per cent in FY2022.

Acuité believes that, going forward, improvement in the scale of operations while improving the profitability margins will be a key monitorable.

Working capital intensive nature of operations

The working capital intensive nature of operations of the group is marked by Gross Current Assets (GCA) of 168 days as on March 31, 2023 as against 146 days as on March 31, 2022. The moderate GCA days are on account of moderate inventory period and significant other current assets. The inventory days stood at 54 days as on 31st March, 2023 as against 64 days in the previous year. However, the debtor period stood moderate at 56 days as on March 31, 2023 as compared to 59 days as on 31st March 2022. The other current assets stood at Rs. 17.20 Cr in FY2023. The working capital requirement is partially supported by credit of around 41 days from the suppliers.

Acuité believes that, going forward, the working capital management of the group will remain around similar levels as evident from the moderate inventory levels and substantial

balances with the statutory authorities.

Rating Sensitivities

Improvement in scale of operations while improving the profitability margins

Sustenance of financial risk profile

Elongation of working capital cycle

All Covenants

None

Liquidity Position

Adequate

The group's liquidity is adequate marked by healthy net cash accruals which stood at Rs.11.55 Cr in FY2023 as against long term debt repayment of only Rs.1.51 Cr during the same period. Moreover, the fund based limit utilization stood low at ~ 9.07 per cent for the past seven months ended September, 2023. Further, the current ratio also stood strong at 5.45 times as on March 31, 2023. The cash and bank balances of the group stood at Rs.1.13 Cr as on March 31, 2023 as compared to Rs.0.90 Cr as on March 31, 2022. However, the working capital management of the group is intensive as reflected by Gross Current Assets (GCA) of 168 days as on March 31, 2023 as against 146 days as on March 31, 2022 due to high other current assets and moderate inventory cycle.

Acuité believes that going forward the liquidity position of the group will remain adequate owing to steady accruals backed by improvement in net cash accruals.

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 and profitability margins along with improvement in the working capital management and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the business risk profile or in case of any significant debt-funded capex leading to deterioration of its financial risk profile and liquidity or further elongation in the working capital management.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	99.93	111.68
PAT	Rs. Cr.	5.24	7.91
PAT Margin	(%)	5.24	7.09
Total Debt/Tangible Net Worth	Times	0.04	0.06
PBDIT/Interest	Times	14.78	25.01

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- 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>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Aug 2022	Cash Credit	Long Term	3.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	1.00	ACUITE A2 (Reaffirmed)
	Proposed Bank Facility	Long Term	8.20	ACUITE BBB+ Stable (Reaffirmed)
17 Jun 2021	Cash Credit	Long Term	4.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	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+)
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)

Annexure - Details of instruments rated

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

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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.

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