Press Release

Nimbus Pipes Limited

March 11, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	21.00	IVR BB- / Stable (IVR Double B Minus; Outlook: Stable)	Assigned	Simple
Total	**21.00 (Rupees Twenty One Crore Only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Nimbus Pipes Limited (NPL) factors in the extensive experience of the promoters in the thermoplastic pipes industry, wide product applications mitigating sectoral concentration risks to an extent,along with diversified customer base and moderate profitability and capital structure. However, the ratings remained constrainedmainly on account of flattering revenue growth curve in the past fiscals, high working capital intensity primarily on stretched receivables and profitability vulnerable to movement in raw material procurement costs.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the revenue and profitability and sustenance of the same
- Noteworthy improvement in receivable and creditor cycle implying abridged operating cycle
- Substantial improvement in capital and coverage metrics
- Equity infusion

Downward Factors

- Substantial decline in profitability, debt and working capital cycle metrics
- Higher than anticipated availment of debt pressurising the debt metrics

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long standing experience of the promoters in the thermoplastic pipes industry

NPL promoters have a long-standing experience in the thermoplastic pipes (PE & PVC) industry which has enabled the company to establish healthy relationships with its customers and suppliers. Currently, the company is managed by Mr. Pravin Kumar Lath with an experience spanning three decades as also Mr. Ashish Lath, with 20 years of exposure in PE pipe industry. The promoters are supported by a qualified management.

Wide product applications mitigating sectoral concentration risks to an extent

Thermoplastic pipes have wide applications across various sectors like sugar, civil construction, agriculture among others reducing sector concentration risks. The company although currently is manufactures pipes for agriculture and water supply has also supplied to diverse industries. Given the emphasis of the Government on water management adequately funding the same, the company is planning to tap the prospect thereby increasing revenue diversification. Nonetheless, venture in the non-traditional segments and the extent of revenue garnered will be a key monitorable, going forward.

Diversified customer base; satisfactory distributor network for the micro irrigation business

The company has a diversified customer base across its micro irrigation (MI) and project verticals. In the MI vertical the company over the years has developed the necessary PAN India distributor network which has implied a low sectoral customer concentration risk. Further, in the projects division the company has been able to maintain a low customer concentration risk.

Moderate profitability and capital structure

The company though had demonstrated a moderate profitability in the past fiscals managing the raw material as also the selling and distribution costs though has demonstrated a steady increase in operating margins in the past fiscal. While the EBIDTA margin has remained at 7.60% in FY2019, it improved to 7.93% in FY2020 moving to 8.73% in FY2021. ROCE though remained marginally low in FY2021 as compared to FY2020 on increased year on year working capital debt levels, which pressurized the capital structure remained comfortable at 12.93% in FY2021 as compared to 14.68% in FY2020. The capital structure has overall remained comfortable in the past fiscals though it improved marginally to 1.88

times as on March 31, 2021, as compared to 1.46 times as on March 31,2020. Improvement in profit metrics as also maintaining suitable capital structure will be a key monitorable, going forward.

Key Rating Weaknesses

Flattening revenue growth curve in the past fiscals; dip in revenues in FY2021 impacted by Covid

The company's revenues though have improved in past fiscals, albeit its growth rate has flattened over the years with some revenue dip in FY2021, given the Covid impact. While the company registered a 52% growth in FY2019 revenues over FY2018, the same remained at 1.54 % in FY2020 over the previous fiscal. The company in FY2021, however, registered a 7% dip in its revenues over the previous fiscal given the impact of the pandemic.

High working capital intensity primarily on stretched receivables

The working capital intensity in the past fiscals has remained high in 43% as on March 31,2021 which has increased from 27% as on March 31,2020 given the elongated receivable cycle. Notably, a significant debtors remain above six months impacting the liquidity of the company though company has attempted to offset the same through extended credit period from suppliers. Nonetheless, given the stretched operating cycle has led to dependency on the external borrowings as depicted by average working capital utilisation of close to 100% in the twelve months ended December 2021. Adequate control on the debtor cycle; timely recovery of the debtors remain a key rating monitorable, going forward. The operating cycle remained stretched at 152 days as on March 31,2021 elongating from 110 days as on March 31,2020.

Profitability vulnerable to movement in raw material procurement costs; selling and distribution costs and intense competition

The company's profitability remains vulnerable to movement in raw material costs as also selling and also its distribution costs, inherent to its business model. Any adverse fluctuations in them could have a notable bearing on the profitability. The company procures key raw material naptha and granules required for PVC manufacture from reputed suppliers and traders. Further, highly competitive intensity on relatively commoditised product and presence of large number of unorganised players also restrict margin expansion as evidenced in the past.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies]

[Financial Ratios & Interpretation (Non- Financial Sector)]

Liquidity – Stretched

The liquidity of the company remains stretched as indicated by tightly matched accruals as against the scheduled repayments. Further, given the elongated operating cycle, has exerted pressure on the working capital utilisation with the same averaging to 98% during the twelve months ending December 2021. However, the average working capital utilisation as far as drawing power is concerned remains at 70% providing some headroom. Further, the promoters plan to infuse Rs.3.00 crore unsecured loans which also is expected to alleviate some liquidity stress. The free cash as on March 31,2021 remains at Rs.3.50 crores.

About the Company

Nimbus Pipes Limited (NPL) was established in 2001 as a partnership firm and converted into public limited company dated January 20, 2010. The company is engaged in manufacturing of thermoplastic (PE and PVC) pipes and having two manufacturing facilities located in Jaipur and Chennai and R&D Centers (in Jaipur and Chennai) along with 10 front end branches covering PAN India supply. The company apart from relying on a PAN India distributor network for retail sales also undertakes small ticket sized water management projects for Government as well as corporate entities including installation and maintenance of their piping layouts. However, the revenue focus remains retail channel as compared to the project's domain.

Financials (Standalone):

For the year ended/As on*	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	142.18	131.78
EBITDA	11.27	11.51

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For the year ended/As on*	31-03-2020	31-03-2021
PAT	1.98	2.28
Total Debt	35.72	50.20
Tangible Net Worth	24.46	26.69
EBITDA Margin (%)	7.93	8.73
PAT Margin (%)	1.39	1.73
Overall Gearing Ratio (x)	1.46	1.88

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:NIL

Any other information:NIL

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings(Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facilities	Long Term	21.00	IVR BB-/ Stable	-	-	-

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out Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	18.00	IVR BB-/ Stable
Standby Line of Credit	-	-	-	3.00	IVR BB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details https://www.infomerics.com/admin/prfiles/Lender-11-03-2022-NIIL.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.