



## Press Release

### Nimbus Pipes Limited (NPL)

August 01, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	30.37	IVR BB+/Stable (IVR Double B Plus Stable)	IVR BB/Stable (IVR Double B Stable)	Upgraded	Simple
Short Term Bank Facilities	14.00	IVR A4+ (IVR A Four Plus)	IVR A4 (IVR A Four)	Upgraded	Simple
Long Term Bank Facilities	13.97	IVR BB+/Stable (IVR Double B Plus Stable)	-	Assigned	Simple
Short Term Bank Facilities	1.40	IVR A4+ (IVR A Four Plus)	-	Assigned	Simple
<b>Total</b>	<b>59.74</b> <b>(Rs. Fifty-Nine</b> <b>Crore Seventy-</b> <b>Four Lakh</b> <b>Only)</b>				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

Infomerics ratings has upgraded the ratings assigned to the existing bank facilities and assigned ratings to the enhanced bank facilities of NPL. The ratings factor extensive experience of promoters, wide product applications, improving profitability along with comfortable capital structure and increasing scale of operations. However, ratings remain constrained due to vulnerability to movement in raw material prices, intense competition and the working capital-intensive nature of operations. 'Stable' outlook has been assigned considering the growing turnover, improvement in profit margins and diversified product applications.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial improvement in the revenue and profitability and sustenance of the same.
- Noteworthy improvement in the receivable and creditor cycle implying abridged operating cycle.



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- Substantial improvement in capital and coverage metrics.

### **Downward Factors**

- Substantial decline in profitability, debt and working capital cycle metrics.
- Higher than anticipated availing 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.**

The promoters of NPL have a long-standing experience in the thermoplastic pipes (PE & PVC) industry enabling the company to establish healthy relationships with customers and suppliers. Presently, the company is managed by Mr. Pravin Kumar Lath and Mr. Ashish Lath, having experience of over three decades and two decades in the industry, respectively. The promoters are further supported by a qualified management team.

- **Wide product applications mitigating sectoral concentration risks to an extent**

Thermoplastic pipes have wide applications across various industries like sugar, civil construction and agriculture among others. This leads to mitigation of sector concentration risks to a certain extent. NPL currently manufactures pipes for agriculture and water supply to various central & state governments and other industries. Given the emphasis of the Government towards water management and adequately funding the same, the company is planning to tap the prospect thereby increasing revenue diversification. Nonetheless, venturing further into the non-traditional segments and the extent of revenue the same garners will remain 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, over the years, the company has developed the necessary PAN India distributor network which has implied a low sectoral customer concentration risk. Further, in the projects division, NPL has been able to maintain a low customer concentration risk.



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- **Improving profitability and comfortable capital structure coupled with increasing scale of operations.**

NPL registered scale up in operations with an increased total operating income of Rs. 200.44 crore in FY24 (Provisional) (refers to period from April 01, 2023, to March 31, 2024) against Rs. 175.48 crore in FY23. The company spent Rs. 5.05 crore towards addition of fixed assets (machinery) in FY24 to capitalize on the opportunity of rising demand of its products going forward.

The EBITDA of the company improved to Rs. 14.13 crore in FY23 against Rs. 12.82 crore in FY22. The same further increased to Rs. 16.27 crore in FY24. On similar lines, EBITDA margin improved from 7.51% in FY22 to 8.05% in FY23 and furthermore to 8.12% in FY24. NPL booked increased PAT of Rs. 3.30 crore (PAT margin: 1.88%) for FY23 against Rs. 2.87 crore (PAT margin: 1.68%) for FY22. It further improved to Rs. 4.00 crore in FY24 with a PAT margin of 1.99%.

The financial risk profile of the company remained moderated marked by moderate overall gearing of 1.95x as on March 31, 2024, against 1.44x as on March 31, 2023. Debt protection metrics of NPL also remained moderate marked by stable metrics.

### **Key Rating Weaknesses**

- **Vulnerability to movement in raw material prices; selling and distribution costs and intense competition**

The company's profitability remains vulnerable to movement in raw material costs as well as selling and distribution costs, inherent in its business model. Any adverse fluctuations in these can have a notable bearing on the profitability. The company procures key raw material naphtha and granules required for PVC manufacture from reputed suppliers and traders. Further, intense competition due to relatively commoditized products and the presence of large number of unorganised players restrict margin expansion as evidenced in the past.

- **High working capital intensity primarily on stretched receivable**

The company's working capital operations remained elongated due to stretched receivable. NPL's operating cycle remained high at 157 days in FY24 (Provisional) against 140 days in FY23. The same is owing to high collection period and inventory holding period. Company has



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high collection period since it receives majority of its revenue in the form of subsidy from government under various flagship scheme including Jal Jeevan Mission and PMKSY. Disbursement of the subsidy requires various approvals from the multiple government authorities and inspection from various government agencies, leading to high collection period. However, the company has been working to increase the business from non-subsidy-based clients through various developments.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Criteria of assigning rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

[Policy on Default recognition and Post – Default Curing Period](#)

[Complexity Level of Rated Instrument/Facilities](#)

### **Liquidity – Adequate**

The liquidity of NPL is adequate with cash & cash equivalents of Rs. 10.68 crore as on March 31, 2024. Company's GCA stood comfortably at Rs. 6.75 crore in FY24 corresponding to debt repayment in the range of Rs.2.43 crore to Rs.4.66 crore in the projected period till FY27. The average working capital utilisation level for the past 12 months is 88.33%. The current ratio as on March 31, 2024, is 1.33x and quick ratio stood at 0.97x.

### **About the Company**

Nimbus Pipes Limited is established in 2001 as a partnership firm and converted to a public limited company w.e.f. from 2010. The Jaipur based entity is engaged in manufacture of thermoplastic (PE and PVC) pipes. It has two manufacturing facilities and R&D centres located near Jaipur and Chennai apart from 10 front end branches covering PAN India supply. The company apart from retail sales also undertakes small ticket water management projects for Government as well as corporate entities involving installation and maintenance of their piping layouts. However, the revenue focus remains retail channel as compared to the project's domain.



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### Financials (Standalone)

(Rs. crore)

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Provisional)
Total Operating Income	175.48	200.44
EBITDA	14.13	16.27
PAT	3.31	4.00
Total Debt	48.85	72.42
Tangible Net Worth	39.57	45.33
<b>Ratios</b>		
EBITDA Margin (%)	8.07	8.12
PAT Margin (%)	1.89	1.99
Overall Gearing Ratio(x)	1.44	1.95
Interest Coverage Ratio (x)	2.09	1.98

\* 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 2024-25)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					June 07, 2023	-	March 11, 2022
					Rating	Rating	Rating
1.	Term Loan	Long Term	11.34	IVR BB+/Stable	IVR BB/Stable	-	IVR BB-/Stable
2.	Cash Credit	Long Term	30.00	IVR BB+/Stable	IVR BB/Stable	-	IVR BB-/Stable
3.	Channel Financing	Long Term	3.00	IVR BB+/Stable	-	-	-
4.	Bank Guarantee	Short Term	15.40	IVR A4+	IVR A4	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks. Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com)

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### Annexure 1: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	October 2026	11.34	IVR BB+/Stable
Cash Credit	-	-	-	Revolving	30.00	IVR BB+/Stable
Channel Financing	-	-	-	Revolving	3.00	IVR BB+/Stable
Bank Guarantee	-	-	-	Revolving	15.40	IVR A4+

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-NimbusPipes-aug24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**Annexure 4: List of companies considered for consolidated analysis:** 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](http://www.infomerics.com).