



## Press Release

### Nimbus Pipes Limited (NPL)

June 7, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicators</a>
Long Term Bank Facilities	34.49 (Increased from 21.00)	IVR BB/ Stale (IVR Double B with Stable Outlook)	Revised	Simple
Short Term Bank Facilities	14.00	IVR A4 (IVR A Four)	Assigned	Simple
<b>Total</b>	<b>48.49</b> <b>(Rupees Forty Eight Crore and Forty Nine Lacs Only)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in the ratings assigned to the bank facilities of Nimbus Pipes Limited (NPL) factors in improvement in the scalability and profitability along with improvement in capital structure of the company. The ratings continue to factor in long track record of promoters in the industry and wide product applications mitigating sectoral concentration risks to an extent. The ratings, however, are constrained by the high working capital intensive operations of the company mainly due to stretched receivable cycle 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

##### Downward Factors

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



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Extensive experience of the promoters**

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 over 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 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.

##### **Improvement in the scalability and profitability of the company**

NPL's top line increased by 30% in FY22 compared to FY21 mainly due to greater demand of its products under various government schemes and from private customers. NPL reported topline of Rs. 170.65 crore in FY22 and Rs.177.08 crore in FY23 (Provisional) compared to Rs.131.78 crore in FY21. Company's profitability improved in last two fiscals. NPL reported PBT and PAT of Rs.4.17 crore, Rs.2.88 crore in FY22 and Rs.4.40 crore, Rs 3.08 crores in FY23 compared to PBT and PAT of Rs.2.68 crore, Rs.2.28 crores in FY21 respectively.

##### **Improvement in the capital structure of the company**

Capital structure of the company improved due to overall improvement in financial indicators of the company in FY22. Interest coverage ratio improved from 1.88x in FY21 to 2.26x in FY22 mainly due to improvement in EBITDA. Overall gearing ratio improved from 1.88x in FY21 to 1.44x in FY22 while TOL/TNW improved from 3.78x in FY21 to 3.30x in FY22.

In FY23, Overall gearing ratio and TOL/TNW stood at 1.14x, 2.57x respectively.



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### **Key Rating Weaknesses**

#### **Elongated operating cycle of the company**

NPL's operating cycle continue to remain elongated mainly due to high average collection period. In FY23, NPL's operating cycle stood at 133 days (143 days in FY22) with average collection period of 165 days (184 days in FY22). NPL's average collection period is high because it receives approximately 50% of its revenue as a part of subsidy from government. Release of subsidy may take time since it requires inspection and quality checks from different hierarchical authorities of the government. However, NPL is trying to reduce the dependence on subsidy by diversifying its products. Adequate control on the debtor cycle; timely recovery of the debtors remain a key rating monitorable, going forward.

#### **Profitability vulnerable to movement in raw material procurement costs**

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:**

[Criteria for assigning outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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



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### **Liquidity – Adequate**

The liquidity position of the company is adequate on account of the fact that the expected gross cash accruals of the company are likely to remain favourable relative to its debt-servicing obligations during FY24-FY26. Further, NPL has reported adequate current ratio at 1.36x as on March 31, 2023 to meet its near-term cash requirements. NPL's average working capital utilization for twelve months ended March 2023 stands at 85%. NPL has cash and bank balance of Rs.1.67 crore as on March 31st 2023.

### **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):**

**Rs in Crore**

For the Year ended*/As on	31-March-22 (Audited)	31-March-23 (Provisional)
Total Operating Income	170.65	177.08
EBITDA	12.82	13.39
PAT	2.88	3.08
Total Debt	45.23	38.69
Tangible Net Worth	32.38	35.62
EBITDA Margin (%)	7.51	7.56
PAT Margin (%)	1.69	1.74
Overall Gearing ratio(X)	1.44	1.14

\*As per Infomerics standards



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Status of non-cooperation with previous CRA: Nil

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (March 11, 2022)	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	28.00	IVR BB/ Stable	-	IVR BB-/ Stable	-
2.	Term Loans	Long Term	6.49	IVR BB/ Stable	-	IVR BB-/ Stable	-
3.	Bank Guarantee	Short Term	14.00	IVR A4	-	-	-

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### About 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. 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.

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



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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	-	-	-	28.00	IVR BB/ Stable
Term Loans	-	-	-	6.49	IVR BB/ Stable
Bank Guarantee	-	-	-	14.00	IVR A4

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-NimbusPipes-jun23.pdf>

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

**Annexure 5: Complexity level of the rated Instruments/Facilities**





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**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).

