

Nandi Irrigation Systems Limited

Instrument	Amount In Rs. Crore	Rating Action
Cash Credit	6.00	[ICRA]B-; Re-affirmed
LC (Non-fund based)	2.00	[ICRA]A4; Re-affirmed
BG (Non-fund based)	1.00 (revised from Rs. 2.00 crore)	[ICRA]A4; Re-affirmed
Unallocated Limits	3.00 (revised from Rs. 2.00 crore)	[ICRA]B-/ [ICRA]A4; Re-affirmed

ICRA has reaffirmed the long term rating of [ICRA]B- (pronounced ICRA B minus) to Rs. 6.00 crore¹ cash credit facility and short term rating of [ICRA]A4 (pronounced ICRA A four) to Rs. 3.00 crore (revised from Rs. 4.00 crore) non-fund based facilities of Nandi Irrigation Systems Limited (NISL)². ICRA has also reaffirmed the long-term/short-term rating of [ICRA]B-/ [ICRA]A4 to Rs. 3.00 crore (revised from Rs. 2.00 crore) unallocated limits of NISL.

The re-affirmation of ratings takes into account the small scale of NISL's operations, highly competitive and fragmented nature of the industry which limits the pricing power of the company, and the high geographic concentration of the company with presence only in states of Andhra Pradesh and Telangana. The ratings also take into account the vulnerability in profitability due to volatility in raw material prices. The ratings are further constrained by weak financial profile characterized by thin margins, high gearing of 2.39x times as on 31st March 2016 and stretched coverage indicators as reflected in TD/OPBIDTA of 8.34x times and OPBIDTA/Interest of 1.14x times as on 31st March, 2016, and high working capital intensity of operations. The ratings also takes into account the significant delays in receivables from the government exerting pressure on the liquidity of the company which can be witnessed by the high utilization of the sanctioned working capital limits.

The ratings, however, favourably factor in the vast experience of the promoters in the micro irrigation sector and favourable prospects for drip and sprinkler irrigation systems due to emphasis from government for micro irrigation.

The ability of the company to improve its scale of operations, profitability, and capital structure with effective working capital management would remain the key rating sensitivities.

Company Profile

Setup in July 2007, M/s Nandi Irrigation Systems Limited (NISL) is promoted by Mr. Sajjala Sreedhar Reddy and is engaged in the manufacturing of Polyvinyl-Chloride (PVC) pipes, lateral pipes and sprinklers used in Irrigation. The company has its plant located in Nandyal, Kurnool district of Andhra Pradesh. The company has an installed capacity of 6000 MTPA for manufacturing of pipes ranging between 40 mm & 60mm. NISL is a part of the Nandi group of Industries based out of Andhra Pradesh which is engaged in the manufacturing of PVC pipes, HDPE pipes, Water Storage containers, flexible hoses, agricultural pipes, casing pipes, Electrical, Plumbing and submersible pipes etc.

Recent Results

In FY2015, Nandi Irrigation Systems Limited reported an operating income of Rs. 32.53 crore and a net profit of Rs. 0.11 crore. As per FY2016 provisional numbers, NISL reported an operating income of Rs. 33.15 crores and a net profit of Rs. 0.12 crore.

August 2016

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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