

May 20, 2016

Facility	Amount (Rs. Crore)	Ratings
Cash credit	14.00* (enhanced from Rs.7.00 crores)	SMERA BBB/Stable (Reaffirmed)
PC/PCFC	1.00	SMERA A3+ (Assigned)
Letter of credit	5.00 (revised from Rs.15.00 crores)	SMERA A3+ (Reaffirmed)
Proposed Fund/Non Fund based	8.00	SMERA BBB/Stable/A3+ (Assigned)
Term loans	4.00	SMERA BBB/Stable (Withdrawn)
Letter of credit	2.00	SMERA A3+ (Withdrawn)

*Sublimit of Rs. 1.50 crores in Delhi Branch

SMERA has assigned rating of '**SMERA BBB**' (read as SMERA triple B) and '**SMERA A3+**' (read as SMERA A three plus) to the Rs.9.00 crore bank facilities and reaffirmed ratings on the Rs.19.00 crore bank facilities of Nirmal Fibres Private Limited (NFPL) at '**SMERA BBB**' and '**SMERA A3+**'. The outlook is '**Stable**'. Further, SMERA has also withdrawn rating of '**SMERA BBB/Stable**' and '**SMERA A3+**' on the Rs. 6.00 crores bank facilities as the outstanding dues have been cleared as confirmed by the banker.

The rating reaffirmation reflects the modest increase in scale of operations, stable margins and healthy financial risk profile of the company. NFPL's ratings continue to draw comfort from the company's long track record of operations (in the RPSF segment) and experienced management. However, the ratings are constrained by the susceptibility of the company's profit margins to raw material price volatility.

Update

NFPL's revenues declined from Rs.155.99 crore in FY2013-14 (refers to financial year, April 01 to March 31) to Rs.130.78 crore in FY2014-15 on account of reduced coal trading activities. NFPL registered revenue of ~Rs.124 crore in FY2015-16 (provisional) of which ~Rs.119 crores was from its manufacturing activities. The company's revenue share from coal trading declined from 10.20 per cent in FY2013-14 to around 5 per cent in FY2015-16. As indicated by the management, coal trading activities will not be carried out under NFPL going ahead. Thus, NFPL's profit margins will be safeguarded from the changes in revenue mix arising from fluctuations in trading income. The company's operating margin improved from 5.21 per cent in FY2013-14 and 5.63 per cent in FY2014-15 on account of increase in share of manufacturing income. NFPL's profit margins

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however continue to be susceptible to fluctuations in prices of various raw materials such as plastic bottles and scrap.

NFPL's gearing (debt-equity ratio) stands healthy at 0.37 times as on March 31, 2015 on account of healthy accretion to reserves and pre-payment of the term loan taken for capacity expansion carried out in FY2013-14. The company's interest coverage ratio is strong at 4.21 times in FY2014-15. NFPL has maintained comfortable working capital cycle of 40-50 days during the past five years.

Outlook: Stable

SMERA believes that NFPL will continue to benefit over the medium term from its established presence in the RPSF segment and experienced management. The outlook may be revised to 'Positive' if company's scale of operations increases substantially, while also maintaining its operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if company fails to achieve the scalability amidst intensifying competition in the area of operation or if financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

Rating Sensitivity Factors

- Movement of operating margins on the back of raw material fluctuations
- Ability to operate at high capacity utilisation levels
- Efficient working capital management

About the Company

NFPL, incorporated in 1995, is a Delhi-based company engaged in manufacturing of RPSF and PPNF (Polypropylene Non Woven Fabric). The company has a manufacturing facility in Gajraula, Uttar Pradesh. The overall operations of the company are jointly managed by Mr. Ajit Prasad Jain, Mr. Raj Kumar Jain and Mr. Sanjiv Kumar Jain.

For FY2014-15, NFPL reported profit after tax (PAT) of Rs.2.32 crore on revenues of Rs.130.78 crore, as compared with PAT of Rs.4.32 crore on revenues of Rs.155.99 crore for FY2013-14.

Contact List

Media/Business Development	Analytical Contact	Rating Desk
Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in	Mr. Mohit Jain Vice President – Rating Operations Tel: +91-22-6714 1105 Email: mohit.jain@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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