

September 03, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	1.00	SMERA B/Stable (Assigned)
Letter of Credit	5.50	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B**' (**read as SMERA single B**) and a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.6.50 crore bank facilities of Neeraj Paper Agencies Limited (NPAL). The outlook is '**Stable**'. The ratings are constrained by the company's small scale of operations amidst intense competition in the paper industry. The ratings factor in risks related to the company's low profitability and weak financial risk profile. The ratings are also constrained by the company's exposure to supplier concentration risk. However, the ratings derive comfort from the company's established track record of operations, experienced management and efficient working capital management.

NPAL, incorporated in 1997, is a Mumbai-based company engaged in trading of paper products. NPAL faces intense competition from several players in the unorganized sector of the paper industry. The company is exposed to supplier concentration risk arising from high dependence on one supplier. NPAL's low profitability is reflected in operating profit margin of 2.38 per cent and net profit margin of 0.60 per cent in FY2013–14 (refers to financial year, April 01 to March 31). NPAL's weak financial risk profile is evidenced by leverage (total outside liabilities to tangible net worth ratio) of 1.38 times as on March 31, 2014 and interest coverage ratio of 1.59 times in FY2013–14.

NPAL's efficient working capital management is reflected in working capital cycle of 15 days in FY2013–14. The company's average utilisation of cash credit facility is low at 55 per cent during December 2013 to June 2014. NPAL benefits from its experienced management. The directors of the company have around 20 years of experience in the paper industry.

Outlook: Stable

SMERA believes the outlook on NPAL's rated facilities will remain stable over the medium term. The company will continue to benefit from its experienced management and established operations. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues and profitability while achieving a healthy financial risk profile and maintaining efficient working capital management. The outlook may be revised to 'Negative' in case of decline in the company's profit margins, or in case of significant deterioration in the company's financial risk profile.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

About the company

NPAL, incorporated in 1997, is a Mumbai-based company promoted by Mr. Deepak Agarwal, Mr. Mukesh Goel and Mr. Pankaj Goel. NPAL is engaged in trading of a wide range of paper products. The company's product profile includes kraft paper, duplex boards, poster paper, writing paper, printing paper and waste paper.

For FY2012-13, NPAL reported profit after tax (PAT) of Rs.0.12 crore on operating income of Rs.21.44 crore, as compared with PAT of Rs.0.08 crore on operating income of Rs.15.18 crore in FY2011-12. The company's net worth stood at Rs.1.01 crore as on March 31, 2013, as compared with Rs.0.94 crore a year earlier.

Contact List

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal Vice President – SME Sales Tel: +91-22-67141177 Cell: +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.