

Press Release

April 21, 2017

Neeraj Paper Agencies Limited

Rating Reaffirmed

Total Bank Facilities Rated *	Rs.6.50 Cr
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 6.50 crore bank facilities of Neeraj Paper Agencies Limited (NPAL). The company is engaged in the trading of paper for the last two decades. The outlook is '**Stable**'.

Key Rating Drivers

Strengths

- **Moderate working capital requirements**

NPAL has moderate working capital requirements aided by favourable working capital cycle which stood at 19 days for FY2016 as against 21 days in FY2015. Further, the average cash credit facility utilisation has been low at 34 percent during the last six months ended 28th February, 2017.

- **Long track record of operations and experienced management**

The company was promoted by Mr. Mukesh Goel and Mr. Pankaj Goel who possess more than two decades of experience in the paper trading business. NPAL has established relations with its customers and suppliers.

- **Healthy revenue growth**

NPAL has reported healthy revenue growth of around 35 percent in FY2016 as against FY2015 on account of increase in orders from a single customer. The company reported revenue of Rs. 42.00 cr in FY2016-17 (provisional).

Weaknesses

- **Low profit margins**

The profit margins continue to be on the lower side on account of high competition in the trading business. The operating profit margin stood at 2.26 percent in FY2016 as against 2.90 percent in FY2015. Further, the net profit margin stood at 0.53 percent in FY2016 compared to 0.58 percent in FY2015.

- **Highly fragmented and competitive industry**

NPAL operates in a highly fragmented industry wherein the presence of a large number of players in the unorganised sector limits the bargaining power with customers.

- **Average financial risk profile**

The financial risk profile is average marked by gearing of 1.40 times as on 31 March, 2016 as against 1.54 times in the previous year. The interest coverage ratio stood at 1.39 times in FY2016 compared to 1.37 times in FY2015. The Total liabilities to tangible network stood at 5.91 times as on 31 March, 2016 as against 5.76 times in the previous year.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the company.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook and continue to benefit over the medium term from its promoters' experience and established track record. The outlook may be revised to 'Positive' in case of higher than expected growth in revenue and profitability while maintaining a comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

For FY 2015-16, NPAL reported profit after tax (PAT) of Rs. 0.20 cr on operating income of Rs. 38.31 cr as compared to PAT of Rs. 0.16 cr on operating income of Rs. 28.51 cr in the previous year. The network stood at Rs. 1.48 cr as on 31st March, 2016 as against Rs. 1.32 cr in the previous year.

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Feb-2017	Cash Credit	Long Term	INR 1	SMERA B+ (indicative) Issuer not co-operating
	Letter of Credit	Short Term	INR 5.5	SMERA A4 (indicative) Issuer not co-operating
21-Nov-2015	Cash Credit	Long Term	INR 1	SMERA B+ / Stable
	Letter of Credit	Short Term	INR 5.5	SMERA A4
03-Sep-2014	Cash Credit	Long Term	INR 1	SMERA B / Stable
	Letter of Credit	Short Term	INR 5.5	SMERA A4

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B+/ Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA A4

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ABOUT SMERA

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