

Press Release

Neelachal Organisation Private Limited

October 24, 2017



Rating Reaffirmed

| | |
|-------------------------------------|----------------------------|
| Total Bank Facilities Rated* | Rs. 7.50 Cr. |
| Long Term Rating | SMERA B+ / Outlook: Stable |
| Short Term Rating | SMERA A4 |

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed 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. 7.50 crore bank facilities of Neelachal Organisation Private Limited. The outlook is '**Stable**'.

Neelachal Organisation Private Limited (NOPL) is a Kolkata-based company engaged in the manufacture of paper laminations and MDF boards. Promoted by Mr. Ram Lal Agarwala, Mr. Manish Jajodia and Mr. Bikash Jajodia, the company commenced operations in Feb 2013. The manufacturing facility is located at Kolkata with installed capacity of 9,216,000 square feet per annum.

Key Rating Drivers

Strengths

- Experienced management**

The company was promoted by Mr. Ram Lal Agarwala, Mr. Manish Jajodia and Mr. Bikash Jajodia who possess around five years of experience in the lamination industry.

- Average financial risk profile**

The average financial risk profile is marked by low networth, moderate gearing and comfortable debt protection metrics. The networth stood at Rs 2.67 crore in FY2017(Provisional) compared to Rs 2.30 crore in FY2016 while the company registered gearing of 1.18 times in FY2017 (Provisional) as against 1.52 times in the previous year. The comfortable interest coverage stood at 2.24 times in FY2017 (Provisional) as against 1.77 times in FY2016. The Net Cash Accruals to Total debt (NCA/TD) stood at 0.23 times in FY2017 (Provisional) as against 0.15 times in FY2016. The Debt Service Coverage ratio (DSCR) has been healthy at 2.03 times in FY2017(Provisional). SMERA has treated Rs 0.75 crore of unsecured loan from directors as quasi equity based on confirmation that the same will be maintained in the business over the medium term.

Weaknesses

- Modest scale of operations**

The scale of operations is modest with revenue of Rs 14.63 crore in FY2016 as against Rs 12.60 crore in FY2015. For FY2017 (Provisional), the company registered revenue of Rs 16.94 crore.

- Moderate working capital management**

The moderate working capital management is reflected in the gross current asset days of 122 in FY2017 (Provisional) and FY2016 due to high inventory days of Rs 73 crore in FY2017 (Provisional) and 67 in FY2016. Debtors are well managed with debtor days at 38 in FY2017 (Provisional) as against 33 in FY2015.

• Susceptibility to fluctuations in raw material prices

The profitability margins are susceptible to fluctuations in raw material prices. Raw material cost constitutes about 84 per cent of the total cost. Any adverse movement in the same can affect sales and margins of the company.

Analytical Approach

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

Outlook: Stable

SMERA believes that NOPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in scale of operations while maintaining comfortable profit margins. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected scalability amidst intensifying competition in its area of operations. Any deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded capex and working capital requirements may entail a 'Negative' outlook.

About the Rated Entity - Key Financials

For FY2015-16, NOPL reported Profit after tax (PAT) of Rs.0.24 crore on operating income of Rs.14.63 crore, compared with PAT of Rs.0.18 crore on operating income of Rs.12.60 crore in FY2014-15.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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 |
|-------------|---------------------------------|------------|------------------|-------------------|
| 29-Apr-2016 | Term Loan | Long Term | INR 2 | SMERA B+ / Stable |
| | Cash Credit | Long Term | INR 4 | SMERA B+ / Stable |
| | Letter of Credit | Short Term | INR 1.5 | SMERA A4 |
| 28-May-2015 | Term Loan | Long Term | INR 2 | SMERA B / Stable |
| | Cash Credit | Long Term | INR 4 | SMERA B / Stable |
| | Letter of Credit | Short Term | INR 1.5 | 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 |
|------------------------|------------------|----------------|----------------|-----------------------------|-------------------|
| Term loans | Not Applicable | Not Applicable | 30-Jun-2018 | 0.50 | SMERA B+ / Stable |
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 4.00 | SMERA B+ / Stable |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 3.00 | SMERA A4 |

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ABOUT SMERA

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