

Press Release

Neelachal Organisation Private Limited

May 25, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.8.75 Cr.
Long Term Rating	SMERA B +/- Outlook:Stable (Reaffirmed and Assigned)
Short Term Rating	SMERA A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA B+**' (read as **SMERA B plus**) and the short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.7.50 crore. SMERA has also assigned long term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.1.58 crore bank facilities of Neelachal Organization Private Limited. The outlook is '**Stable**'.

NOPL is a Kolkata-based company engaged in trading of plywood and timber since 1968. After takeover for the period July 2012 to January 2013, the company was dormant. Then subsequently in February 2013, new factory unit had started. NOPL is engaged in paper laminations on particle and MDF boards. The company has manufacturing facility in Kolkata with installed capacity of 9,216,000 square feet per annum.

Key Rating Drivers

Strengths

- **Experienced management:**

The company is promoted by Mr. Ram Lal Agarwala, Mr. Manish Jajodia and Mr. Bikash Jajodia. The promoters have five years of experience in the lamination industry.

- **Modest scale of operations:**

The company operates at a modest scale of operations with revenue of Rs.23.03 crore in FY2018 (Provisional) as compared to Rs.19.63 crore in FY2017. Further, the CAGR stood at 16.31 percent from FY18-15.

Weaknesses

- **Average financial risk profile:**

The average financial risk profile is marked by low net worth, moderate gearing and comfortable debt protection metrics. The net worth is at Rs.2.56 crore in FY2018 (Provisional) as compared to Rs.2.46 crore in FY2017. The company has a gearing of 1.83 times in FY2018 (Provisional) as compared to 1.79 times in FY2017. It has comfortable interest coverage ratio of 1.54 times in FY2018 (Provisional) compared to 1.55 times in FY2017. Net Cash Accruals to Total Debt (NCA/TD) is at 0.08 times in FY2018 (Provisional) as against 0.08 times in FY2017. Debt Service Coverage Ratio (DSCR) is healthy at 1.48 times in FY2018 (Provisional). SMERA has treated Rs.0.86 crore of unsecured loan from directors as quasi-equity based on confirmation that this will be maintained in the business over the medium term.

• **Working capital intensive nature of operations:**

The gross current assets days stood at 112 in FY2018 (Provisional) as against 114 in FY2017. The inventory days stood at 74 as on 31 March, 2018 (Provisional) as against 55 days in the previous year. The debtor days are at 30 in FY2018 (Provisional) as compared to 37 in FY2017.

• **Declining profitability margins:**

The profitability margins of the company have declined over the last three years from FY15 to FY18 (Provisional). For FY18 the company has reported EBITDA margins of 4.90 percent (Provisional) as against 5.71 percent for FY17. Further, the company has reported PAT margin of 0.39 percent for FY18 (Provisional) as against 1.65 percent for FY17.

• **Susceptibility to fluctuations in raw material prices:**

The profitability and margins of the company remains susceptible to fluctuations in raw material prices. The material cost constitutes about 88 percent of the total cost for FY2018 (Provisional), any adverse movement can affect the sales and margins of the company.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of NOPL to arrive at this rating.

Outlook: Stable

SMERA believes NOPL will maintain a 'Stable' business risk profile over the medium term benefitting from 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. The outlook may be revised to 'Negative' in case the company fails to achieve the projected scalability amidst intensifying competition in its area of operations, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded capital expenditure and working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	23.06	19.63	14.63
EBITDA	Rs. Cr.	1.13	1.12	1.23
PAT	Rs. Cr.	0.09	0.06	0.24
EBITDA Margin	(%)	4.90	5.71	8.40
PAT Margin	(%)	0.39	0.31	1.65
ROCE	(%)	12.60	13.36	15.85
Total Debt/Tangible Net Worth	Times	1.83	1.79	1.52
PBDIT/Interest	Times	1.54	1.55	1.71
Total Debt/PBDIT	Times	4.08	3.92	2.85
Gross Current Assets (Days)	Days	112	114	109

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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 the Instruments/Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
24-October-17	Term Loan	Long Term	0.50	SMERA B+/ Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	SMERA B+/ Stable (Reaffirmed)
	Letter of Credit	Short Term	3.00	SMERA A4 (Reaffirmed)
29-April-16	Term Loan	Long Term	2.00	SMERA B+/ Stable (Upgraded)
	Cash Credit	Long Term	4.00	SMERA B+/ Stable (Upgraded)
	Letter of Credit	Short Term	1.50	SMERA A4 (Reaffirmed)
28-May-15	Term Loan	Long Term	2.00	SMERA B/ Stable (Assigned)
	Cash Credit	Long Term	4.00	SMERA B/ Stable (Assigned)
	Letter of Credit	Short Term	1.50	SMERA A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA B+/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.17	SMERA B+/ Stable (Reaffirmed)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	1.58	SMERA B+/ Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4 (Reaffirmed)

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ABOUT SMERA

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