

Press Release

Neelachal Organisation Private Limited

July 29 2019

Rating Reaffirmed



Total Bank Facilities Rated	Rs. 8.75 crore
Long Term Rating	ACUITE B+/ Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE B**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on Rs.8.75 crore bank facilities of NEELACHAL ORGANIZATION PVT LIMITED (NOPL). The outlook is '**Stable**'.

NOPL is a Kolkata-based company engaged in trading of plywood and timber since 1968. NOPL is currently engaged in manufacturing of paper laminations on particle and MDF boards with installed capacity of 1500 pieces per day for 300 working days.

Analytical Approach

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

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 around six years of experience in manufacturing of lamination work prior to which they were involved in trading. Acuite believes that the promoter's business experience would improve the company's revenue profile and establish successful relationship with its customers over the medium term.

Weaknesses

- **Modest scale of operations**

The company's revenues have increased in FY2018 to Rs. 23.17 crore as against Rs. 19.63 crore in FY2017 and Rs. 14.63 crore in FY2016 and thereby achieving a compounded annual growth rate (CAGR) of 16.56% from FY2016 to FY2018 mainly due to favourable market demand. The company has achieved revenue of Rs. 21.05 crore in FY2019 (provisional) due to highly competitive prices provided by competitors.

- **Moderate financial risk profile**

The financial risk profile of the company has remained modest owing to low net worth, high gearing and average debt protection metrics. The net worth of the company has improved but still stood low at Rs. 1.76 crore in FY2018 compared to Rs. 1.61 crore in FY2017. The increase in net worth is on account of accretion to reserves. The gearing has improved yet stood high at 2.97 times in FY2018 as compared to 3.28 times in FY2017. TOL/TNW stood high at 4.91 times as on March 31, 2018 as compared to 4.42 times as on March 31, 2017. The total debt of Rs. 5.21 crore in March 31, 2018 consists of long term debt of Rs. 0.21 crore, unsecured loan of Rs. 1.11 crore that is not subordinated to bank and short term debt of Rs. 3.90 crore. The interest coverage ratio and DSCR stood modest at 1.70 times and 1.61 times in March 31, 2018 compared to 1.55 times and 1.48 times in March 31, 2017 respectively. NCA/TD stood at 0.08 times in FY2018.

• Moderate working capital nature of operations

The company's working capital operations are intensive marked by Gross Current Asset (GCA) of 118 days in FY2018 compared to 114 days in FY2017. The GCA days are dominated mainly on account of inventory days of 73 days in FY2018 compared to 55 days in FY2017 and around 68 days in FY2019 (Prov.), mainly because of procurement of raw materials, i.e. imports from Thailand, Malaysia and several others. The debtor days stood at 31 days in FY2018 compared to 37 days in FY2017 and around 42 days in FY2019 (Prov.), majorly because of quick realisation of receivables from majority of customers. The working capital intensity is further reflected from the bank limit utilisation of 90 percent of its working capital facilities.

Liquidity Position:

NOPL's liquidity profile is moderate marked by modest net cash accruals as against its maturing debt obligations. The company generated cash accruals of Rs. 0.35-0.53 crore during the last three years through 2016-18, while its maturing debt obligations were in the range of Rs. 0.17-0.34 crore over the same period. The bank limit of the company remains utilised at 90 percent during the last six months ended June, 2019. The company maintains unencumbered cash and bank balances of Rs. 0.12 crore as on March 31, 2018. The current ratio of the company stood modest at 1.15 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain moderate over the medium term on account of modest cash accrual against repayments over the medium term.

Outlook: Stable

Acuite believes that NOPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in the scale of operations while improving its financial risk profile. The outlook may be revised to 'Negative' 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 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	23.17	19.63	14.63
EBITDA	Rs. Cr.	1.14	1.12	1.23
PAT	Rs. Cr.	0.15	0.06	0.24
EBITDA Margin	(%)	4.91	5.71	8.40
PAT Margin	(%)	0.65	0.31	1.65
ROCE	(%)	13.25	13.36	15.85
Total Debt/Tangible Net Worth	Times	2.97	3.28	2.75
PBDIT/Interest	Times	1.70	1.55	1.71
Total Debt/PBDIT	Times	4.42	4.68	3.46
Gross Current Assets (Days)	Days	118	114	109

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-19.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-May-2018	Cash credit	Long Term	4.00	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long Term	0.17	ACUITE B+/Stable (Reaffirmed)
	Proposed Long term facility	Long Term	1.58	ACUITE B+/Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A4 (Reaffirmed)
24-Oct-2017	Cash credit	Long Term	4.00	ACUITE B+/Stable (Reaffirmed)
	Term Loan	Long Term	0.50	ACUITE B+/Stable (Reaffirmed)
	Letter of Credit	Short Term	3.00	ACUITE A4 (Reaffirmed)
29-Apr-2016	Cash credit	Long Term	4.00	ACUITE B+/Stable (Upgraded from ACUITE B/Stable)
	Term Loan	Long Term	2.00	ACUITE B+/Stable (Upgraded from ACUITE B/Stable)
	Letter of Credit	Short Term	1.50	ACUITE A4 (Reaffirmed)
28-May-2015	Cash credit	Long Term	4.00	ACUITE B/Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE B/Stable (Assigned)
	Letter of Credit	Short Term	1.50	ACUITE A4 (Assigned)

***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	4.00	ACUITE B+/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.17	ACUITE B+/Stable (Reaffirmed)
Proposed long term facility	Not Applicable	Not Applicable	Not Applicable	1.58	ACUITE B+/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in</p> <p>Debalina Maity Analyst - Rating Operations Tel: 033-66201212 debalina.maity@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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