

NKB Extrusions Private Limited: Downgraded

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	3.25	SMERA D (Downgraded from SMERA B-/Stable)
Term Loan	4.82	SMERA D (Downgraded SMERA B-/Stable)
Long Term (Proposed)	0.26	SMERA D (Assigned)
Bank Guarantee	1.00	SMERA D (Downgraded from SMERA A4)
Letter of Credit	2.50	SMERA D (Downgraded from SMERA A4)

SMERA has downgraded the rating on the Rs.11.83 crore bank facilities of NKB Extrusions Private Limited (NKBEPPL) to '**SMERA D**' (**read as SMERA D**) from the long term rating of '**SMERA B-**' (**read as SMERA B minus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**). SMERA has also assigned '**SMERA D**' (**read as SMERA D**) on the Rs.0.26 crore facility of NKB Extrusions Private Limited (NKBEPPL).

The downgrade reflects delays in servicing of term debt obligations. The ratings continue to be constrained by the weak financial risk profile and working capital intensive operations. However, the rating is supported by the experienced management and healthy revenue growth.

Update

NKBEPPL is engaged in the manufacture of HDPE woven sacks, tarpaulin and other products used for packaging. The company reported revenue of Rs.23.36 crore in FY2016 as compared to Rs.17.85 crore in FY2015. The operating margin increased to 10.26 per cent in FY2016 from 2.48 per cent in FY2015 due to decrease in costs related to raw material, employees and manufacturing. The net profit margin also improved to 0.09 per cent in FY2016 compared to (11.51) per cent in FY2015.

The company continues to have a weak financial risk profile marked by high gearing, moderate interest coverage ratios and low net cash accruals to total debt. The debt protection metrics are weak. The gearing ratio is still high at 9.67 times in FY2016 compared to 9.71 times in FY2015. The interest coverage has been 1.45 times in FY2016 and net cash accrual to total debt is at 0.05 times in FY2016. The company has stretched liquidity due to delays in payments from key customers including the Government of West Bengal and others.

The operations are working capital intensive marked by high inventory and debtor days with gross asset days in the range of 126-165 in the last three years. While the debtor days are in the range of 95-100 days, the inventory has been in the range of 50-65 days during the period.

The promoters of the company, Mr. Nirmal Kumar Bagaria and Nikunj Bagaria possess more than two decades of experience in the plastic and plastic product industry. The company registered growth in revenue by 30 per cent from Rs.17.85 crore in FY2015 to Rs.23.36 crore in FY2016. For FY2017 (Provisional), the company registered revenue of Rs.20 crore in the first six months (ended September 2016) due to a large order from West Bengal Small Industries Development Corporation Limited.

Rating Sensitivity Factor

- Timely servicing of debt obligations

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

NKBEP, established in 2005, is a Kolkata-based company engaged in the manufacture of HDPE woven sacks, tarpaulin and other products used for packaging (pesticides, fertilisers, cement). The company's manufacturing facilities are located at Budge Budge, West Bengal and the overall operations are managed by the Directors, Mr. Nirmal Kumar Bagaria and Nikunj Bagaria.

For FY2015-16, the company reported (profit after tax) PAT of Rs.0.02 crore on total operating income of Rs.23.36 crore as compared to net operating loss of Rs.2.05 crore on total operating income of Rs.17.85 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
31 Aug, 2015	Cash Credit	2.00	SMERA B- (Assigned)	-	Stable
	Term Loan	5.96	SMERA B- (Assigned)	-	Stable
	Term Loan (Proposed)	1.37	SMERA B- (Assigned)	-	Stable
	Bank Guarantee	0.50	-	SMERA A4 (Assigned)	-
	Letter of Credit	2.00	-	SMERA A4 (Assigned)	-

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ABOUT SMERA

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