

Press Release

NKB Extrusions Private Limited

21 February, 2018



Rating Upgraded

Total Bank Facility Rated *	Rs. 11.83 Crore
Long Term Rating	SMERA B/Stable (Upgraded)
Short Term Rating	SMERA A4 (Upgraded)

** Refer Annexure for details*

Rating Rationale

SMERA has upgraded the long term rating on the Rs. 11.83 crore bank facilities of NKB EXTRUSIONS PRIVATE LIMITED (NEPL) to '**SMERA B**' (**read as SMERA B**) and short term rating to '**SMERA A4**' (**read as SMERA A four**) from '**SMERA D**' (**read as SMERA D**). The outlook is '**Stable**'.

NKB Extrusions Private Limited (NEPL), part of the NKB group was incorporated in 2005 by Mr. Nirmal Kumar Bagaria and sons. The company commenced operations in 2012 in the manufacturing of HDPE woven sacks, HDPE Tarpaulin and other products used for packaging pesticides, fertilisers, cement, food grains to name a few. The factory is located at Budge Budge while the administrative office is at Kolkata. The installed capacity stands at 3800 metric tons per annum.

Key rating drivers

Strengths

Experienced management

The promoters of the company, Mr. Nirmal Kumar Bagaria and sons have more than a decade of experience in the mining, heavy engineering and plastic industry. SMERA believes that, NEPL will benefit from its experienced management and group support.

Growth in revenues

Revenues of the company grew at a CAGR of 14.75 percent from Rs. 17.71 crore in FY2015 to Rs. 27.11 crore in FY2017. The growth was due to increase in its distribution network and customer base. Further, till January 30, 2018, the company generated revenue of Rs. 22.50 crore. (Provisional).

Weaknesses

Working capital intensive operations

The operations of the company are working capital intensive evident from the GCA days (Gross Current Asset) of 144 for FY2017 and 167 days for FY2016. This is mainly on account of high inventory holding period which stood at 90 and 91 days for FY2017 and FY2016 respectively.

SMERA Ratings Limited

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Debtors stood at 39 days for FY2017 as against 60 days for FY2016. On an average, cash credit utilisation stood at around 90 percent for six months ended December 2018.

Moderate financial risk profile

Financial risk profile of the company is moderate marked by net worth (Includes quasi equity) of Rs. 5.07 crore as on 31 March, 2017 as against 5.06 crore as on 31 March, 2016. The gearing stood at 2.45 times as on 31 March, 2017. Of the total debt of Rs.12.41 crore, long term loans constitute Rs. 4.11 crore, unsecured loans (from directors and relatives) Rs. 5.06 crore and short term loans of Rs. 3.25 crore as on 31 March, 2017. The ICR (Interest Coverage ratio) stood moderate at 1.57 times and DSCR (Debt Service Coverage Ratio) stood weak at 0.87 times for FY2017. The Net cash accruals stood at Rs. 0.85 crore for FY2017.

Margins are susceptible to fluctuations in raw material prices

Major raw materials used in the manufacturing process are polymer resin, including PP, HDPE, and low-density polyethylene (LDPE), the prices of which are highly volatile and directly dependent on crude oil prices. Hence, the margins are exposed to fluctuations in raw material prices.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of NEPL to arrive at the rating.

Outlook – Stable

SMERA believes that NEPL will maintain a Stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company registers more than expected revenues and net cash accruals coupled with improvement in financial risk profile and better working capital management. Conversely, the outlook may be revised 'Negative' if the company registers lower than expected revenues, deterioration in its financial risk profile or increase in working capital cycle.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	27.89	23.36	17.85
EBITDA	Rs. Cr.	2.36	2.40	0.44
PAT	Rs. Cr.	0.01	0.02	-2.05
EBITDA Margin	(%)	8.48	10.26	2.48
PAT Margin	(%)	0.05	0.09	-11.51
ROCE	(%)	9.47	9.88	0.77
Total Debt/Tangible Net Worth	Times	2.45	2.46	2.44
PBDIT/Interest	Times	1.57	1.60	0.45
Total Debt/PBDIT	Times	4.80	4.72	14.11
Gross Current Assets (Days)	Days	144	167	178

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>

Status of non-cooperation with previous CRA (if applicable): None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
07-Dec, 2016	Cash Credit	Long Term	INR 3.25	SMERA D
	Term Loan	Long Term	INR 4.82	SMERA D
	Proposed Long Term Loan	Long Term	INR 0.26	SMERA D
	Bank Guarantee	Short Term	INR 1	SMERA D
	Letter of Credit	Short Term	INR 2.5	SMERA D
31-Aug, 2015	Term Loan	Long Term	INR 5.96	SMERA B- / Stable
	Proposed Long Term Loan	Long Term	INR 1.37	SMERA B- / Stable
	Cash Credit	Long Term	INR 2	SMERA B- / Stable
	Letter of Credit	Short Term	INR 2	SMERA A4
	Bank Guarantee	Short Term	INR 0.5	SMERA A4

*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	NA	NA	NA	3.25	SMERA B/Stable
Term Loans	NA	NA	NA	2.40	SMERA B/Stable
Proposed loans	NA	NA	NA	2.68	SMERA B/Stable
Bank Guarantee	NA	NA	NA	1.00	SMERA A4
Letter of Credit	NA	NA	NA	2.50	SMERA A4

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ABOUT SMERA

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