

## Press Release

### NKB Extrusions Private Limited

21 February, 2018

### Rating Upgraded



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

Registered Office: 102, Sumer Plaza, Marol Maroshi Road, Marol, Andheri (East), Mumbai - 400 059

CIN: U74999MH2005PLC155683 | SEBI Permanent Registration No.: IN / CRA / 006 / 2011

CIN: U74999MH2005PLC155683 | SEBI Permanent Registration No.: IN / CRA / 006 / 2011

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

### Contacts:

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 <a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a></p> <p>Naveen Papisetty Rating Analyst Tel: +91-22-6714 1148 Email: <a href="mailto:naveen.papisetty@smera.in">naveen.papisetty@smera.in</a></p>	<p>Varsha Bist Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a></p>

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.