

Press Release

NKB Extrusions Private Limited (NKB)

June 17, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 11.83 Cr.
Long Term Rating	ACUITE B/Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed & Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long term rating of '**ACUITE B**' (read as **ACUITE B**) and short term rating of '**ACUITE A4**' (read as **ACUITE four**) and also assigned short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the above mentioned bank facilities of Rs.11.83 crore of NKB Extrusion Private Limited (NKB). 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 with 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, Kolkata. The installed capacity stands at 3800 metric tons per annum.

Analytical Approach

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

Key Rating Drivers:

Strengths

Experienced management

The promoters of the company, Mr. Nirmal Kumar Bagaria, Mr. Nalin Bagaria and Mr. Nikunj Bagaria and sons have more than a decade of experience in the aforementioned industry. This experience of the promoters helps the company to establish healthy relation with its customers and suppliers. Acuite believes that NKB will continue to benefit from its experienced management and established relations with clients.

Weaknesses

Average financial risk profile

The financial risk profile of the company is marked by modest net worth, comfortable gearing and moderate debt protection metrics. The net worth of the company stood at Rs 10.69 crore in FY2019 (Prov.) decreased marginal decline from Rs. 10.81 crore in FY2018, mainly on account of accumulated loss. Acuite has considered Rs.8.86 crore unsecured loan as quasi equity as the amount is subordinated to bank debts. The gearing of the company stood comfortable at 0.65 times in FY2019 (Prov.) as compared to 0.54 times in FY2018. The total debt of Rs. 7.00 crore consist of long term loan of Rs. 0.11 crore, short term debt of Rs.3.23 crore and unsecured loan from promoters of Rs. 3.66 crore as on 31st March 2019 (Prov.). The interest coverage ratio (ICR) of the company stood moderate at 2.13 times in FY2019 (Prov.) as compared to 1.65 times in FY2018. The debt service coverage ratio (DSCR) of the company stood moderate at 2.13 times in FY2019 (Prov.) as compared to 0.85 times in FY2018. The net cash accruals against the total debt (NCA/TD) stand moderate at 0.14 times in FY2019 (Prov.) as compared to 0.20 times in FY2018.

Moderate scale of operation

Though the company started its operation since 2005, the revenue of the company stood moderate at Rs.21.23 crore in FY2019 (Prov.) as compared to Rs.22.50 crore in the previous year. Acuite believes that the company's ability to improve its scale of operations while maintaining profitability margins would be a key rating sensitivity factor.

Liquidity Position

The company has stretched liquidity marked by moderate net cash accruals of Rs.0.99 crore in FY2019 (Prov.) as compared to Rs.1.14 crore in the previous year. The stretched liquidity of the company is also marked by 100 per cent utilization of working capital limit. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 226 in FY 2019 (Prov.).

Outlook: Stable

Acuite believes that NKB will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the firm generates substantial revenues while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the scale of operation goes down or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	21.23	22.50	27.89
EBITDA	Rs. Cr.	1.78	2.52	2.36
PAT	Rs. Cr.	0.16	0.30	0.01
EBITDA Margin	(%)	8.39	11.19	8.48
PAT Margin	(%)	0.78	1.34	0.05
ROCE	(%)	5.69	9.32	9.44
Total Debt/Tangible Net Worth	Times	0.65	0.54	2.45
PBDIT/Interest	Times	2.13	1.65	1.57
Total Debt/PBDIT	Times	3.75	2.30	4.80
Gross Current Assets (Days)	Days	226	199	144

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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
14-May-2019	Cash Credit	Long Term	3.25	ACUITE B

				(Indicative)
	Term Loan	Long Term	2.40	ACUITE B (Indicative)
	Proposed Long Term	Long Term	2.68	ACUITE B (Indicative)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Indicative)
	Letter of Credit	Short Term	2.50	ACUITE A4 (Indicative)
21-Feb-2018	Cash Credit	Long Term	3.25	ACUITE B/ Stable (Upgraded)
	Term Loan	Long Term	2.40	ACUITE B/ Stable (Upgraded)
	Proposed Long Term	Long Term	2.68	ACUITE B/ Stable (Upgraded)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Upgraded)
	Letter of Credit	Short Term	2.50	ACUITE A4 (Upgraded)
07-Dec-2016	Cash Credit	Long Term	3.25	ACUITE D (Downgraded)
	Term Loan	Long Term	2.40	ACUITE D (Downgraded)
	Proposed Long Term	Long Term	2.68	ACUITE D (Downgraded)
	Bank Guarantee	Short Term	1.00	ACUITE D (Downgraded)
	Letter of Credit	Short Term	2.50	ACUITE D (Downgraded)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
------------------------	------------------	-------------	---------------	-------------------	-----------------

Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.25	ACUITE B/Stable (Reaffirmed)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	2.69	ACUITE B/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4(Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE A4(Reaffirmed)
Proposed Short Term	Not Applicable	Not Applicable	Not Applicable	2.69	ACUITE A4(Assigned)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head– Corporate and Infrastructure Sector Tel: 033-66201203 pooja.ghosh@acuite.in Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (*Erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.