

Press Release

Nair Coal Services Private Limited

July 20, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 19.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B+**' (**read as SMERA B plus**) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 19.00 crore bank facilities of Nair Coal Services Private Limited. The outlook is '**Stable**'.

Nair Coal Services Private Limited (NCSPL), incorporated in 1984, is a Nagpur-based company promoted by Mr. Suresh Nair and Mr. Susheel Nair (Directors). The company is a liaisoning agent for coal handling and caters to various electricity boards. It is also into logistics.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

The promoters, Mr. Suresh Nair and Mr. Susheel Nair have over three decades of experience in the coal business.

- **Established relations with reputed clientele**

The company has established relationships of around two decades with various state electricity boards such as Maharashtra State Power Generation Company, Madhya Pradesh Power Generating Company Limited, Gujarat State Electricity Corporation Limited, Rashtriya Ispat Nigam Limited among others.

- **Moderate order book position**

NCSPL has healthy order book of Rs. 64.67 crore as on April 30, 2017 to be executed by FY2018, which provides revenue visibility for the medium term.

Weaknesses

- **Small scale of operations amidst tender based business**

Despite being in the business for the last three decades, the scale of operations is small with revenue of Rs. 27.60 crore in FY2016 compared to Rs. 42.18 crore in FY2015 and Rs. 32.28 crore in FY2014. The uneven revenues are mainly on account of the tender based business. Moreover, as informed by the management, the company has reported revenue of ~Rs. 20.00 crore for FY2017. The company operates in a highly-fragmented coal handling and logistics business, dominated by a number of unorganised players with limited bargaining power and with contract renewal risks.

- **Decline in the profitability**

The profitability margins have declined on YoY basis. The company reported EBITDA loss of Rs. 0.16 crore in FY2016 as against EBITDA profit of Rs. 7.57 crore in FY2015 and Rs. 9.73 crore in FY2014. The company registered a net loss of Rs. 2.09 crore in FY2016 as against net profit of Rs. 1.38 crore in

FY2015. Further, the company has suffered bad debts of Rs. 2.64 crore in FY2016. Further, as per provisionals, the company has reported net profit of Rs.1.28 crore as on Jan 31, 2017 on account of decline in operating cost. The losses were mainly on account of increase in cost of sales as a per cent of sales.

• **Working capital intensive operations**

The firm has working capital intensive operations evident from its high gross current assets days of 431 and 344 for FY2016 and FY2015 respectively. This is mainly on account of high debtor days of 206 in FY2016 and 123 days in FY2015. The working capital limit has been fully utilised during the last six months ended February, 2017.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of NCSPL to arrive at the rating.

Outlook: Stable

SMERA believes that NCSPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers improvement in scale of operations and profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in margins and revenues, or elongation in the working capital cycle leading to deterioration in the debt protection metrics.

About the Rated Entity - Key Financials

NCSPL reported net loss of Rs. 2.09 crore on operating income of Rs. 27.20 crore in FY2015-16 as compared to PAT of Rs. 1.38 crore on operating income of Rs. 42.18 crore in FY2014-15. The net worth stood at Rs. 37.49 crore as on 31 March, 2016 as against Rs.35.40 crore as on 31 March, 2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Mar-2016	Cash Credit	Long Term	INR 10	SMERA B+ / Stable
	Bank guarantee	Short Term	INR 9	SMERA A4

***Annexure – Details of instruments rated**

Name of the Facilities	Date of	Coupon	Maturity	Size of the Issue	Ratings/Outlook
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	Issuance	Rate	Date	(Rs. Cr.)	
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA A4

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