

Narmada Agrobases Private Limited: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Cash Credit	4.00	SMERA BB-/Stable (Assigned)
Term Loan	0.50	SMERA BB-/Stable (Assigned)
Cash Credit (Proposed)	2.50	SMERA BB-/Stable (Assigned)

SMERA has assigned long-term rating of **'SMERA BB-' (read as SMERA double B minus)** on the Rs.7.00 crore bank facilities of Narmada Agrobases Private Limited (NAPL). The outlook is **'Stable'**. The rating draws support from the experienced management and moderate financial risk profile marked by low gearing and moderate interest coverage. However, the rating is constrained by the small scale of operations and stretched liquidity (99 per cent bank limit utilised from January 2016 to June 2016). The rating is also constrained by the intense competition in the cotton and cattle feed industry.

NAPL has achieved operating income of Rs.30.68 crore in FY2015-16 (Provisional), an improvement from Rs.22.03 crore in FY2014-15. The company has moderate financial risk profile marked by small scale of operations. The gearing (debt-to-equity) stood at 0.84 times as on March 31, 2016 (provisional) against 1.24 times in FY2014-15. Moreover, the interest coverage ratio stood at 1.86 times in FY2015-16 (provisional) against 2.01 times in FY2014-15. The liquidity is stretched with 99 per cent bank limit utilisation from January 2016 to June 2016. The company registered PAT margin of 0.66 per cent in FY2015-16 (provisional) against 0.77 per cent in FY2014-15. NAPL operates in an intensely competitive segment of the cotton and cattle feed industry. The total debt of Rs.7.98 crore includes unsecured loans of Rs.3.32 crore that are subordinated to bank debt as on March 31, 2016 (provisional).

Outlook: Stable

SMERA believes NAPL will maintain a stable outlook in the medium term owing to the established operations and extensive experience of the promoter in the business. The outlook may be revised to 'Positive' in case of significant improvement in operations, profitability and networth. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

Rating Sensitivity Factors

- Increasing scale of operations
- Improvement in profit margins and capital structure

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

NAPL, a Gujarat-based company promoted by Mr. Suresh Chandra Gupta and his son Mr. Neeraj Agarwal was incorporated in 2013. The company commenced commercial operations from February 2014 to manufacture de-linted cotton seeds and cattle feed.

For FY2015-16 (provisional), the company reported profit after tax (PAT) of Rs.0.20 crore on operating income of Rs.30.68 crore, as compared with profit after tax (PAT) of Rs.0.17 crore on operating income of Rs.22.03 crore in FY2014-15. The net worth stood at Rs.5.54 crore as on March 31, 2016 (provisional) against Rs.3.63 crore a year earlier.

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ABOUT SMERA

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