

Nabha Paper Mills Private Limited: Assigned

Facilities	Amount (Rs Crore)	Rating/Outlook
Term Loan	3.65	SMERA BB-/Stable (Assigned)
Cash Credit	7.50	SMERA BB-/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.11.15 crore bank facilities of Nabha Paper Mills Private Limited (NPM). The outlook is '**Stable**'.

The rating is supported by the company's established operations and experienced management. The rating also draws comfort from the diversified customer and supplier profile and moderate financial risk profile marked by comfortable leverage (debt-to-capital ratio) and coverage indicators. However, the rating is constrained by the working capital intensive nature of business, stretched liquidity and intense market competition.

The Punjab-based Nabha Paper Mills Private Limited, incorporated in 1980 is engaged in the manufacturing of Kraft and duplex board paper. The company benefits from its experienced management. The promoters have more than a decades experience in the company's line of business.

The financial risk profile is marked by moderate net worth of Rs.12.62 crore as on March 31, 2016 as compared with Rs.11.39 crore a year earlier. The leverage (debt-to-capital ratio) stood at 0.90 times as on March 31, 2016 as compared to 0.81 times a year earlier while the interest coverage ratio was at 2.63 times in FY2015-16 (refers to financial year, April 01 to March 31) as compared to 2.48 times in FY2014-15.

The operating income of the company has improved and stands modest at Rs.44.34 crore in FY2015-16 as against Rs.39.57 crore in the previous year. The GCA days of the company stand high at 128 days in FY2015-16 as compared to 124 days a year earlier.

Outlook: Stable

SMERA believes that NPM will maintain a stable outlook owing to the management's extensive experience in the company's line of business and a diverse customer and supplier base. The outlook may be revised to 'Positive' in case of sustained increase in revenues and accruals while improving the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the capital structure or deterioration of the financial risk profile.

Rating Sensitivity Factors

- Improvement in the financial risk profile
- Scaling up operations while managing profitability margin
- Efficient working capital management

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

NPM, established in April 1980, is a Punjab-based company engaged in the manufacture of kraft and duplex board paper. The company is headed by Mr. B. R Jindal.

For FY2015-16, NPM reported net profit after tax of Rs.1.02 crore on total income of Rs.44.34 crore as against a net profit after tax of Rs.1.01 crore on total income of Rs.39.57 crore a year earlier. The net worth stood at Rs.12.62 crore as on March 31, 2016, as compared with Rs.11.39 crore a year earlier. The total net worth of Rs.12.62 crore includes quasi equity of Rs.2.91 crore as on March 31, 2016.

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ABOUT SMERA

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