

Nagarwala Enterprises: Assigned

Facility	Amount (Rs Crore)	Rating/Outlook
Cash Credit	10.00	SMERA B+/Stable (Assigned)

SMERA has assigned rating of '**SMERA B+** (read as **SMERA B plus**)' to the above mentioned bank facility of Nagarwala Enterprises (NE). The outlook is '**Stable**'.

The rating is constrained by the firm's moderate scale of operations, average financial risk profile and thin profitability. The rating also notes that the firm's profit margins are susceptible to raw material price volatility and intense competitive pressures. However, the rating draws comfort from the experienced management.

NE, established in 1980, is a Nagpur-based firm promoted by Mr. Narendra Nagarwala, Partner. The firm is engaged in cotton ginning and pressing. The rating factors in the moderate scale of operations coupled with stagnant operating income of Rs.57.38 crore as on March 31, 2016 (Provisional) as against Rs.56.88 crore as on March 31, 2015. The rating is also constrained by the average financial risk profile marked by low networth of Rs.5.51 crore as on March 31, 2016 (Provisional) and gearing (debt-equity) of 1.84 times as on March 31, 2016. The Interest coverage ratio (ICR) stood at 1.22 times for FY2016 (Provisional) as against ICR of 1.20 times for FY2015.

The rating also notes that the firm's profit margins are susceptible to raw material price volatility. The operating margins stood at 2.94 per cent, 3.36 per cent and 2.94 per cent for FY2014, FY2015 and FY2016 (Provisional) respectively.

However, the rating draws support from the promoter's extensive experience in the cotton ginning and pressing industry.

Rating Sensitivity Factors

- Changes in scale of operations, profit margins
- Changes in the financial risk profile
- Efficient working capital management

Outlook-Stable

SMERA believes that NE will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers strong growth in revenue while achieving sustained improvement in profit margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profit margins or stretch in the working capital cycle.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Firm

NE, established in 1980, is a Nagpur-based firm promoted by Mr. Narendra Nagarwala. The firm is engaged in cotton ginning and pressing.

For FY2014-15, NE reported profit after tax (PAT) of Rs.0.14 crore on operating income of Rs.56.88 crore, as compared with PAT of Rs.0.13 crore on operating income of Rs.51.13 crore in FY2013-14. NE reported PAT of Rs.0.14 crore on operating income of Rs.57.38 crore (Provisional) in FY2015-16.

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ABOUT SMERA

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