

Press Release

New Era Adhesive And Sealants Private Limited

March 23, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 2.50 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) on the Rs. 2.50 crore bank facilities of New Era Adhesive And Sealants Private Limited. The outlook is '**Stable**'.

New Era Adhesive Industries (NEAI), established in 1989, is a Jalgaon-based proprietorship concern engaged in the manufacturing of sealant products while New Era Adhesive and Sealants Private Limited (NEASPL), incorporated in 1995 is engaged in the marketing of the aforementioned. The manufacturing unit is located at Jalgaon, Maharashtra.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

The promoter, Mr. Vilas N. Jain has more than three decades of experience in the manufacturing and trading of Adhesives, Sealant, PVC Solvent Cement & Self Adhesives Tape products through group companies - New Era Adhesive Industries (established in 1995) and New Era Adhesives and Sealants Private Limited (incorporated in 1994).

- **Healthy profitability**

The New Era group reported operating margin of 20.33 percent for FY2015-16 as compared to 14.62 percent for FY2014-15. The healthy profitability is on account of a wide range of products which find application in industries such as agriculture, construction, locomotive, aeronautic among others. Further, the profit after tax (PAT) margin stood at 14.25 percent for FY2015-16 as against 6.89 percent for FY2014-15.

- **Healthy financial risk profile**

The group has comfortable financial risk profile with gearing (debt-to-equity) at 0.69 times as on March 31, 2016 as compared to 0.87 times in the previous year. The total debt of Rs. 4.57 cr as on March 31, 2016 includes working capital borrowings to the tune of Rs. 3.40 cr. The interest coverage ratio stood at 7.34 times in FY2015-16 as compared to 3.68 times in the previous year. SMERA believes that the company will sustain improvement in its financial risk profile over the medium term owing to consistent growth in its network and absence of large debt-funded capex plan.

- **Comfortable working capital cycle**

The group has comfortable working capital cycle as the same stood at 70 days in FY2015-16 as against 60 days in FY2014-15. Further, the cash credit limit utilisation for the group stood at ~84 percent during the last six months ended 31st December, 2016. SMERA believes that the liquidity profile of the company will remain comfortable on account of efficient working capital management.

Weaknesses

- **Small scale of operations**

The group reported operating income of Rs.19.58 cr for FY2015-16 as against Rs.15.03 cr in the previous year. The company has small scale of operations on account of limited installed capacity and low utilisation. However, the group has reported operating income of Rs.16.31 cr (provisional) for the period April, 2016 to December, 2016 on consolidated basis.

• **Profitability is susceptible to volatility in input prices**

The main raw material used for manufacturing of Adhesives, Sealants, PVC Solvent Cement & Self Adhesive Tapes is Toluene, Cyclohexenene, and Tetra Hydro furane (THF) which are by-products of crude oil. Hence, any adverse movement in crude prices will have a direct impact on the profitability of the group.

Analytical Approach

SMERA has considered the consolidated business and financial risk profiles of New Era Adhesive Industries (NEAI) and New Era Adhesive and Sealants Private Limited (NEASPL) together referred to as the New Era Group. The consolidation is in view of the common ownership, similarity in the lines of business of the entities alongwith significant operational and financial linkages between the two entities.

Outlook: Stable

SMERA believes that the group will continue to maintain a stable outlook over the medium term owing to the established track record of operations and experienced management. The outlook may be revised to 'Positive', if the company achieves healthy revenue growth while maintaining profitability and working capital cycle efficiently. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue or profit margins leading to deterioration in the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the New Era Group reported profit after tax (PAT) of Rs.2.79 cr on operating income of Rs.19.58 cr as compared to PAT of Rs.1.04 cr on operating income of Rs.15.03 cr for FY2014-15. The net worth stood at Rs.6.66 cr as on March 31, 2016 as compared with Rs.4.28 cr as on March 31, 2015.

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA BBB- / Stable

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ABOUT SMERA

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