

Press Release

N M Exports

April 20, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs. 20.00 crore bank facilities of N M Exports. The outlook is '**Stable**'.

N M Exports (NME), a proprietorship firm was established in 2005 by Mr. Naresh Kumar Gupta. The firm is engaged in the trading of food grains particularly Guar gum.

Key Rating Drivers

Strengths

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

The group was established in 2006. The promoters, Mr. Suresh Kumar Gupta, Mr. Manoj Kumar, Mr. Harshil Gupta and Mr. Naresh Kumar Gupta possess experience of around 20 years in the trading of Guar Gum Industry.

Weaknesses

- **Weak financial risk profile**

The group has a weak financial risk profile marked by high gearing (debt-to-equity) at 8.23 times as on 31 March, 2016 against 6.43 times in FY2014-15. The group has low interest coverage ratio at 0.34 times in FY2015-16 against 0.53 times in FY2014-15. The total outstanding liabilities (TOL)/total networth (TNW) is high and stood at 18.78 times in FY2015-16 against 15.44 times in FY2014-15.

- **Stretched working capital cycle**

The group has stretched working capital cycle. Further, the GCA days is high and stood at 1487 days in FY2015-16 as compared to 1264 days in FY2014-15. The increase in GCA days is evident from the increase in debtor's days from 1119 days in FY2014-15 to 1163 days in FY2015-16. The inventory days stood at 319 days in FY2016 against 200 days in FY2015.

- **Susceptibility of profit margins to fluctuations in raw material prices**

The profit margins are susceptible to fluctuations in the raw material prices of guar gum.

- **Intense market competition**

The group faces intense competition from various players in India which is likely to impact operating performance and profitability.

Analytical Approach

While assigning the rating, SMERA has taken into account the consolidated operational and financial performance of two entities namely, N M Agro Food Products Private Limited (NMAF) and N M Exports (NME). The consolidation is in view of the common management and business as well as significant operational and financial linkages. Together the group is referred to as the N M Group.

Outlook: Stable

SMERA believes that N M Exports will maintain a stable outlook in the medium term owing to the established operations and long standing experience of the promoters in the business. The outlook may be revised to 'Positive' in case of improvement in operations and profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Group

The NM Group was established in 2006 at Jaipur, Rajasthan by Mr. Suresh Kumar Gupta, Mr. Manoj Kumar, Mr. Harshil Gupta and Mr. Naresh Kumar Gupta. The group is engaged in the trading of guar gum through two of its entities - N M Agro Food Products Private Limited (NMAF) and N M Exports (NME).

About the Rated Entity - Key Financials

The Rajasthan-based NM Exports was established in 2005 by Mr. Naresh Kumar Gupta (Proprietor). The firm is engaged in the trading of food grains, primarily Guar gum. The firm reported profit after tax (PAT) of Rs.0.14 cr on operating income of Rs.31.05 cr in FY2015-16 as compared to PAT of Rs.0.11 cr on operating income of Rs.18.51 cr in FY2014-15. The net worth stood at Rs.1.57 cr as on 31 March, 2016 against Rs.1.44 cr a year earlier.

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>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.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
Proposed	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA B- / Stable

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ABOUT SMERA

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