

Press Release

Kb Board Mills Llp

April 27, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) on the Rs. 5.00 crore bank facilities of Kb Board Mills Llp. The outlook is '**Stable**'.

KB Board Mills LLP (KB Board) established in 2009 is a Maharashtra-based partnership firm promoted by Mr. Dinesh Kochar and Mrs Rakhi Kochar. The firm is engaged in the manufacture of kraft paper, paper cones and tubes used for packaging across industries such as textiles, food packaging and consumer durables. The manufacturing facility located at Wardha, Maharashtra has installed capacity of 60 MT (Metric Tones).

Key Rating Drivers

Strengths

- **Experienced management**

KB Board is a Maharashtra based partnership firm promoted by Mr. Dinesh Kochar and Ms. Rakhi Kochar. The promoters have more than two decades of experience in the aforementioned business resulting in healthy relations with suppliers and repetitive orders from customers.

- **Average financial risk profile**

KBM has average financial risk profile marked by gearing (Debt-to-equity) of 1.05 times as on 31 March, 2016 as against 1.19 times as on 31 March, 2015. The total debt mainly comprises working capital borrowings. The ICR (Interest coverage ratio) stood at 2.93 times in FY2016 against 3.89 times in FY2015. The firm has NCA/TD (Net Cash Accruals/ Total Debt) of 0.22 times in FY2016 as against 0.31 times in FY2015. Further, the tangible net worth stood at Rs.4.74 cr as on 31 March, 2016.

Weaknesses

- **Modest scale of operations**

KB Board has modest scale of operations marked by operating income of Rs.28.55 cr in FY2016 as against Rs.26.91 cr in FY2015 and Rs.26.21 cr in FY2014. The firm achieved revenue of Rs.31.90 cr from April 2016 till February 2017.

- **Thin profitability**

The firm registered operating margin of 5.54 percent and PAT (Profit after tax) margin of 0.48 percent in FY2016 as against operating margin of 4.29 percent and PAT of 3.37 percent in FY2015. Further, the profitability remains susceptible to fluctuations in raw material prices.

- **Working capital intensive operations**

KB Board has working capital intensive operations marked by GCA (Gross current asset) of 156 days for FY2016 as against 152 days for FY2015. This is mainly on account of high debtor days of 136 for FY2016 as against 109 for FY2015. However, the average utilisation of working capital borrowing

stood at ~80.00 percent from April 2016 to February 2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of KBM.

Outlook: Stable

SMERA believes that the outlook will remain stable in the medium term on account of an experienced management. The outlook may be revised to 'Positive' in case of sustained growth in revenue and profit margins with substantial improvement in the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profit margins or deterioration in the capital structure.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported net profit of Rs.0.14 cr on operating income of Rs.28.55 cr, as compared with net profit of Rs.0.91 cr on operating income of Rs.26.91 cr in FY2014-15. The net worth stood at Rs.4.74 cr as on March 31, 2016 as against Rs.4.67 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>
- 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	5.00	SMERA BB- / Stable

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