

Press Release

National Oxygen Limited (NOL)

14 May, 2017

Rating Assigned



Total Bank Facilities Rated	Rs.36.00
Long Term Rating	SMERA D (Assigned)
Long Term Rating	SMERA C (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

SMERA has assigned long term rating of '**SMERA D' (read as SMERA D)** on the term loan facility of Rs.11.32 crore and '**SMERA C' (read as SMERA C)** on the working capital facility of Rs.18.00 crore. SMERA has further assigned rating of **SMERA C (read as SMERA C)** on the proposed facility of Rs. 3.68 cr and short term rating of **SMERA A4 (read as SMERA A four)** on the bank guarantee of Rs.3.00 crore of National Oxygen Limited (NOL).

National Oxygen Limited (NOL) is a supplier of industrial gases (in liquid and gaseous form) to industries and hospitals. In 1980, the company installed and commissioned the first oxygen plant of 60 cubic metres per hour capacity at Pudukottai District, Tamil Nadu. Currently, the company has a capacity of 2500 m³ per hour of Oxygen/Nitrogen gases and 2,00,000 m³ per annum capacity of Dissolved Acetylene gas. The manufacturing facilities are located at Pondicherry and Tamil Nadu.

List of key rating drivers and their detailed description:

Strengths

Experienced management

NOL was promoted by Mr. Gajanand Saraf, Mr. Rajesh Kumar Saraf, Ms. Veena Devi Saraf among others who possess experience of over two decades in the industry.

Weaknesses

Weak financial risk profile

NOL's financial risk profile is weak marked by net worth of Rs.14.14 crore (after considering quasi equity) as on 31 March, 2016 as compared to Rs.16.72 crore in the previous year. The decline in networth is due to losses incurred. The company incurred net loss of Rs.5.68 crore in FY2016 as against Rs.10.83 crore in FY2015. The gearing stood slightly on the higher side at 2.45 times as on 31 March, 2016 as compared to 1.97 times as on 31 March, 2015. The ICR stood at 0.52 times in FY2016 as against -0.25 times in FY2015. The DSCR stood at 0.37 times in FY2016 as compared to -0.12 times in FY2015.

Delays in repayment of debts

There has been irregularity in the repayment of principal and interest on term loans due to a weak financial risk profile and liquidity.

Modest scale of operations

Despite being in the industry for over four decades, the scale of operations have been moderate with operating income of Rs.33.27 crore in FY2016 compared to Rs.28.13 crore in FY2015.

Analytical approach: SMERA has taken a standalone view of the financial and business risk profile of the company.

Applicable Criteria

- Manufacturing entities- <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument:

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

About the Rated Entity

The company reported net loss of Rs. 5.68 crore on net sales of Rs. 33.27 crore in FY2016 as against net loss of Rs.10.83 crore on net sales of Rs.28.13 crore in FY2015. The net worth stood (including Quasi Equity) at Rs. 14.14 crore as on 31 March, 2016 compared to Rs. 16.72 crore as on 31 March, 2015.

Status of non-cooperation with previous CRA: ICRA, vide release dated December, 2016 suspended the ratings of National Oxygen Limited on account of non-cooperation from the company.

Any other information: None

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2016		FY2015		FY2014	
	Scale	Amount (Rs. Cr)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	11.32 [#]	SMERA D (Assigned)	-	-	-	-	-	-
Cash Credit	LT	5.50	SMERA C (Assigned)	-	-	-	-	-	-
Overdraft	LT	12.50	SMERA C (Assigned)	-	-	-	-	-	-
Proposed	LT	3.68	SMERA C (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	3.00	SMERA A4 (Assigned)	-	-	-	-	-	-

#the amount reflects the total outstanding long term loan as on April 2017.

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	N.A.	N.A.	N.A.	11.32 [#]	SMERA D (Assigned)
Cash Credit	N.A.	N.A.	N.A.	5.50	SMERA C (Assigned)
Overdraft	N.A.	N.A.	N.A.	12.50	SMERA C (Assigned)
Bank Guarantee	N.A.	N.A.	N.A.	3.00	SMERA A4 (Assigned)
Proposed	N.A.	N.A.	N.A.	3.68	SMERA C (Assigned)

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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