

Press Release

National Oxygen Limited (NOL)

04 May, 2018

Rating Upgraded & Reaffirmed



Total Bank Facilities Rated	Rs.36.00 crore
Long Term Rating	SMERA B-/ Stable (Upgraded)
Short Term Rating	SMERA A4 (Reaffirmed)

**Refer Annexure for details*

SMERA has upgraded the rating of '**SMERA B-' (read as SMERA B Minus)** from **SMERA D (read as SMERA D)** to the long term bank facility of Rs. 6.15 and **SMERA C (read as SMERA C)** to the long term bank facilities of Rs. 18.00 crore and reaffirmed the short term rating of '**SMERA A4' (read as SMERA A Four)** on the short term bank facilities of Rs. 3.00 crore of National Oxygen Limited (NOL).

National Oxygen Limited (NOL) a Public Limited Company Registered with Bombay & Madras Stock Exchanges. NOL is a producer and supplier of Industrial Gases both 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 Mathur Village, Pudukottai District, and Tamil Nadu. NOL currently has a capacity of 2500 m³ per hour of Oxygen / Nitrogen gases and 2,00,000 m³ per annum capacity of Dissolved Acetylene gas having manufacturing facilities at Pondicherry and Tamil Nadu.

List of key rating drivers and their detailed description:

Strengths

Experienced management

National Oxygen Limited (NOL) incorporated in 1974 is a Public Limited Company Registered with Bombay & Madras Stock Exchanges, engaged in manufacturing and supply of Industrial Gases both in Liquid and Gaseous form to Industries and Hospitals. The company is promoted by Mr. Gajanand Saraf, Mr. Rajesh Kumar Saraf and Ms. Veena Devi Saraf among others who have an experience of more than three decades in the industrial gas & fuel industry.

Diversified portfolio:

National Oxygen Limited manufactures various types of industrial gases which are in high demand across industries of various sectors. These gases manufactured by National Oxygen Limited are Industrial Liquid Nitrogen, Industrial Gaseous Oxygen, Medical grade Oxygen among others. These gases are used in the medical industry, chemical industry, pharmaceutical industry, petrochemicals industry among others.

Weaknesses

Weak Financial Risk Profile

NOL's financial risk profile is weak marked by net worth of Rs.14.19 crores (including Quasi Equity of Rs. 18.78 crore) as on 31 March 2017 as compared to Rs.14.14 crores as on 31 March, 2016. Gearing stands at 2.13 times as on 31 March 2017 as compared to 2.45 times as on 31 March 2016. The total debt of Rs. 30.23 crore mainly consists of short term debt of Rs. 18.55 crore and a long term debt of Rs. 11.68 crore. Interest Coverage Ratio stands at 0.81 times for FY2017 as compared to 0.52 times for FY2016. Debt Service Coverage Ratio (DSCR) stands at 0.45 times for FY2017 as compared to 0.37 times for FY2016. Net Cash Accruals/ Total Debt stands at -0.04 times for FY2017 as compared to -0.05 for FY2016.

Modest scale of operation and weak profitability

NOL operates in moderate scale with operating income of Rs.35.86 crore in FY2017 compared to Rs. 33.27 crore in FY2016. NOL reported EBITDA figures of Rs. 4.41 crore for FY2017 as against Rs. 2.91 crore for FY2016. The company reported negative PAT figures of Rs. (5.04) crore for FY2017 as against Rs. (5.68) crore for FY 2016. The primary reason for incurring this loss was due to heavy interest payment obligations that the company bears on the bank facilities availed. The Net Cash Accruals for NOL were also reported negative at Rs. (1.25) crore for FY2017 as against Rs. (1.74) crore for FY2016.

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>
- 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>

Outlook: Stable

SMERA believes that NOL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected revenues, or in case of deterioration in the company's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

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.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	35.86	33.27	28.13
EBITDA	Rs. Cr.	4.41	2.91	-1.45
PAT	Rs. Cr.	-5.04	-5.68	-10.83
EBITDA Margin	(%)	12.30	8.74	-5.14
PAT Margin	(%)	-14.06	-17.07	-38.48
ROCE	(%)	3.05	-1.56	-10.27
Total Debt/Tangible Net Worth	Times	2.13	2.45	1.97
PBDIT/Interest	Times	0.81	0.52	-0.25
Total Debt/PBDIT	Times	5.80	10.96	-24.63
Gross Current Assets (Days)	Days	76	84	77

Any other information: None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
14-June-2017	Cash Credit	Long Term	5.50	SMERA C (Assigned)
	Term loans	Long Term	11.32	SMERA D (Assigned)
	Over Draft	Long Term	12.50	SMERA C (Assigned)
	Bank Guarantee	Short Term	3.00	SMERA A4 (Assigned)
	Proposed	Long Term	3.68	SMERA C (Assigned)

***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.	6.15	SMERA B-/ Stable (Upgraded)
Cash Credit	N.A.	N.A.	N.A.	5.50	SMERA B-/ Stable (Upgraded)
Overdraft	N.A.	N.A.	N.A.	12.50	SMERA B-/ Stable (Upgraded)
Bank Guarantee	N.A.	N.A.	N.A.	3.00	SMERA A4 (Reaffirmed)
Proposed	N.A.	N.A.	N.A.	8.85	SMERA B-/ Stable (Upgraded)

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ABOUT SMERA

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