

## Press Release

### Nakoda Technofibe Private Limited (NTPL)

3 August, 2017

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs.9.75 Cr
<b>Long Term Rating</b>	SMERA B+/Stable (Assigned)

*\*Refer Annexure for details*

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.9.75 crore bank facilities of Nakoda Technofibe Private Limited (NTPL). The outlook is '**Stable**'.

NTPL, incorporated in 2014, is an Indore-based company promoted by Mr. Anand Jain and Mr. Sushil Doshi. The company is engaged in the ginning and pressing of cotton bales with an installed capacity of 200 bales per day. The operations of the company commenced from February 2017.

### List of Key Rating Drivers and their detailed description

#### Strengths:

**Experienced management:** NTPL benefits from its experienced management. Mr. Anand Jain (Director) and family have been in the ginning and pressing business for more than two decades. Its group entity viz. Shree Nakoda Ginning and Pressing Factory (SMERA BB-/Stable) is also engaged in the same line of business since 1996. Mr. Anand Jain has experience of eight years in this business. Being a family business, the promoters have gained good insight about the industry and developed healthy relations with customers and suppliers. The company currently sells cotton bales to spinning mills in Madhya Pradesh.

**Strategic location and proximity to raw material:** NTPL is located at Indore, Madhya Pradesh - one of the cotton producing belts of India. This ensures timely supply of raw material.

#### Weaknesses

**Nascent stage of operations:** NTPL was incorporated in 2014 and operations commenced in February 2017. The company booked revenue of Rs.0.70 crore in FY2016-17 (Provisional) and Rs.4.00 crore in Q12018 (Provisional).

**Average financial risk profile:** NTPL has average financial risk profile marked by tangible networth of Rs.2.78 crore as on 31 March, 2017 supported by unsecured loans from family/related parties of Rs.2.65 crore. The total debt as on 31 March, 2017 stood at Rs.7.09 crore which comprises working capital borrowings of Rs.3.73 crore and term loan of Rs.3.36 crore. NTPL has an annual repayment obligation of Rs.0.52 crore. The company is eligible for state and central government capital and interest subsidy to the tune of Rs.0.37 crore.

**Presence in a highly fragmented cotton ginning industry:** NTPL operates in a highly fragmented industry with large number of unorganised players. As a result, the company has low bargaining power against its customers and suppliers and limited value addition in cotton ginning. The operating margins are thin.

**Volatility in raw material prices and government regulations:** Cotton prices are highly regulated by the government through MSP (Minimum Support Price). However, the purchase and

selling price depends on the prevailing demand-supply situation restricting bargaining power with suppliers and customers. Any adverse movement of cotton prices further impacts profitability.

**Analytical approach:** SMERA has considered the standalone business and financial risk profile of NTPL to arrive at the rating.

### Outlook - Stable

SMERA believes that NTPL will maintain a 'Stable' credit profile on the back of its experienced management. The outlook may be revised to 'Positive' if its scale of operations increases substantially, while also improving operating profitability and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue and cash accruals leading to deterioration in its financial risk profile.

### About the Rated Entity – Key Financials

As per provisional financials for FY2016-17, NTPL registered net profit of Rs.0.04 crore on operating income of Rs.0.70 crore.

### 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>

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** None

**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. Crore)	Ratings/ Outlook
Cash Credit	N.A.	N.A.	N.A.	6.35	SMERA B+/Stable (Assigned)
Term Loan	N.A.	N.A.	N.A.	3.40	SMERA B+/Stable (Assigned)

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**ABOUT SMERA**

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