

Press Release

NARAIN PRINTERS AND BINDERS

December 15, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 6.00 crore bank facilities of NARAIN PRINTERS AND BINDERS. The outlook is '**Stable**'.

Narain Printers and Binders (NPB), a partnership firm, was established in 1993. The firm is engaged in the printing, binding and packaging of school books for private publication houses as well as central and state governments. The printing facility located at Noida (Uttar Pradesh) comprises seven printing machines with installed capacity of 0.35 crore books daily.

Key Rating Drivers

Strengths

- **Experienced management**

The firm was established by Mr. Prashant Mittal and his mother, Mrs. Nirmal Mittal who possess more than two decades of experience in the said business.

- **Diversified clientele**

NPB caters to a large number of private publishing houses as well as to central and state government undertakings, namely National Council of Educational Research and Training (NCERT), Uttar Pradesh Education Board, and Rajasthan State Textbook Board.

Weaknesses

- **Working capital intensive operations**

NPB's operations are working capital intensive, marked by high gross current assets (GCA) of 285 days in FY2017 and 378 days in FY2016. This is mainly on account of two aspects, viz 1) high inventory holding period (110 days in FY2017) on account of seasonal nature of business since sales generation is highly concentrated during the September to May period and 2) elevated debtor days (186 days for FY2017; 307 days for FY2016. The firm is exposed to the risk of relatively smaller scale of operations, leveraged capital structure and elongated operating cycle.

- **Presence in a highly fragmented and competitive industry**

NPB faces intense competitive intensity from organised as well as unorganised players in its industry. The major raw material, print paper, is procured from local markets. The firm is exposed to fluctuations in the prices of raw material affecting margins during times of elevated raw material prices.

- **Small scale of operations, fluctuating returns**

The scale of operations is small with operating income of Rs. 15.39 crore in FY2017. The firm posted profit after tax (PAT) margin of 2.94 per cent in FY2017, a decline from 3.04 per cent in FY2016. The gearing stood at 4.91x times as on March 31, 2017 compared to 4.94x times as on March 31, 2016. The Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 2.44x times in FY2017 each. The current ratio declined to 0.99x as on 31 March, 2017 vs 1.13x as on 31 March, 2016. The ROCE declined to 10.84 per cent in FY2017 from 12.72 per cent in FY2016 while the RoE increased to 19.81 per cent in FY2017 from 16.28 per cent in FY2016 (but was lower as compared to 23.96 per cent in FY2015).

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of NPB to arrive at the rating.

Outlook: Stable

SMERA believes that NPB will maintain a Stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or significant deterioration in the financial risk profile due to debt-funded capex or elongated working capital cycle.

About the Rated Entity - Key Financials

In FY2017, the firm reported profit after tax (PAT) of Rs.0.45 crore on operating income of Rs.15.39 crore as against net profit of Rs.0.42 crore on operating income of Rs.13.86 crore in the previous year. The tangible net worth stood at Rs.2.28 crore as on 31 March, 2017 as against Rs.2.59 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable)

CRISIL, vide release dated April 29, 2017 has Reaffirmed the ratings of NPB on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Entities In Services Sector - <https://www.smerra.in/criteria-services.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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	4.50	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.25	SMERA B- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.25	SMERA A4

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