

Press Release

Narula Tools International (NTI)

05 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned short term rating of '**SMERA A4**' (read as SMERA A four) on the Rs. 6.00 crore bank facilities of Narula Tools International (NTI).

Narula Tools International. (NTI) was established in 1995 as a proprietorship firm by Mr. Manjit Singh Narula and converted to a partnership firm in 2011. The firm is engaged in the manufacturing of engineering goods including scaffolding accessories, metal products and industrial equipments at Jalandhar, Punjab.

Key rating drivers

Strengths

Experienced management, long track record of operations.

NTI was established in 1995. The firm is led by Mr. Manjit Singh Narula and his sons, Mr. Inder Pal Singh Narula and Mr. Karanbir Singh Narula who possess extensive experience in the industry.

Established relations with customers

NTI has been supplying scaffolding accessories, metal products and industrial equipment's to its customers in Saudi Arabia, Kuwait, Qatar and Egypt. The firm has established long term relations with customers of more than five years.

Weakness

Below average financial risk profile marked by low net worth and high gearing

NTI has below average financial risk profile marked by tangible net worth of Rs. 1.93 crore as on 31 March, 2017 as against Rs. 1.20 crore as on 31 March, 2016. The gearing stood at 4.00 times as on 31 March, 2017 as against 7.16 times as on 31 March, 2016. The debt of Rs. 7.74 crore consists of term loans of Rs.1.78 crore and working capital borrowings of Rs.5.96 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 1.76 times for FY2017 as against 1.72 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 5.77 times as on 31 March, 2017 as against 10.27 times as on 31 March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.04 times in FY2017 as against 0.04 times in FY2016.

Working capital intensive operations

The operations are working capital intensive marked by high Gross Current Asset (GCA) of 154 days in FY2017 as against 162 days in FY2016. The GCA days are mainly dominated by high inventory days of 92 in FY2017 and 104 in FY2016. The average cash credit utilisation for the past six months stood at ~97 percent. SMERA believes that efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Competitive and fragmented industry

NTI operates in a highly competitive and fragmented industry characterised by a large number of unorganised players affecting margins.

Analytical approach:

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

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	26.61	25.73	40.09
EBITDA	Rs. Cr.	0.80	0.85	0.86
PAT	Rs. Cr.	0.03	0.04	0.04
EBITDA Margin	(%)	3.01	3.29	2.14
PAT Margin	(%)	0.12	0.14	0.10
ROCE	(%)	4.99	5.54	12.72
Total Debt/Tangible Net Worth	Times	4.00	7.16	6.63
PBDIT/Interest	Times	1.76	1.72	1.51
Total Debt/PBDIT	Times	9.67	10.11	9.84
Gross Current Assets (Days)	Days	154	162	110

Any other information:

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

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

ICRA Ratings in its press release dated January 31, 2018 inter alia has stated the following: Despite repeated requests by ICRA, the entity's management has remained non-cooperative. The current rating action has been taken by ICRA on the basis of the best available/dated/limited information on the issuers' performance. Accordingly, lenders, investors and other market participants are advised to exercise appropriate caution while using this rating as it may not adequately reflect the credit risk profile of the entity. Analytical approach: ICRA has applied its rating methodologies/policies as indicated below: Links to applicable criteria: Policy in respect of non-cooperation by the rated entity About the firm: Narula Tools International (NTI) was established in 1995 as a proprietorship firm, to be later converted into a partnership firm in 2012. The firm is engaged in manufacturing scaffolding products. NTI's facility is located at Jalandhar, Punjab, with an installed manufacturing capacity of 3,143 Tonnes Per Annum(TPA).

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
Pre shipment packing credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4

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ABOUT SMERA

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