

## Press Release

NTB International Private Limited

October 25, 2019

Rating Upgraded & Withdrawn



|                              |                                                                  |
|------------------------------|------------------------------------------------------------------|
| Total Bank Facilities Rated* | Rs. 15.05 Cr.<br>(Enhanced from Rs.10.95 crore)                  |
| Long Term Rating             | ACUITE BB- / Outlook: Stable<br>(Upgraded from ACUITE B+/Stable) |
| Short Term Rating            | ACUITE A4+<br>(Upgraded from ACUITE A4)                          |

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE B+**' (read as **ACUITE B plus**) and short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 15.05 crore bank facilities of NTB INTERNATIONAL PRIVATE LIMITED (NTB). The outlook is '**Stable**'.

Also, Acuité has withdrawn the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 0.10 crore bank facilities of NTB INTERNATIONAL PRIVATE LIMITED (NTB).

The rating upgrade is reflected by improvement in scale of operations and profitability. Also there has been growth in export business of the company and it is expected to sustain over medium term. The revenues have increased to Rs.25.29 crore in FY2019 from Rs.18.99 crore in FY2018. Profit After Tax (PAT) has also increased to Rs.0.34 crore in FY2019 from Rs.0.09 crore in FY2018. Further, the operating margins have also increased to 12.98 per cent in FY2019 from 12.75 per cent in FY2018. The rating is further supported by the experience of the management and its established position in the industry.

Established in 1984, NTB International Private Limited (NTBIPL) is a Pune-based company engaged in manufacturing of high precision industrial ceramics, conveyor belts, modular conveyors, automation systems among others. The company is managed by its promoters, Mr. Kamal Kishore Kacholia, Mrs. Manju Kamal Kacholia and Mr. Vinod Kumar Somani.

### Analytical Approach

Acuité has considered standalone business and financial risk profile of NTB to arrive at the rating.

### Key Rating Drivers

#### Strengths

- Established track record of operations and experienced management**

NTBIPL was established in 1984. It is managed by its promoters, Mr. Kamal Kishore Kacholia, Mrs. Manju Kamal Kacholia and Mr. Vinod Kumar Somani who has over three decades of experience in the said line of business. The extensive experience of the promoters has enabled the company establish healthy relations with suppliers and customers evident from the repetitive orders that the company gets from its customers.

Acuité believes that the established track record of the company along with experience of the promoters will be beneficial in the long run.

- **Improvement in scale of operations**

The company has reported revenue growth with compounded annual growth rate (CAGR) of around ~8.18 percent through the last three years ended 31 March, 2019. The company reported revenue growth of ~33.18 percent with operating income of Rs.25.29 crore in FY2019 as against operating income of Rs.18.99 crore in FY2018. Further, the operating margins of the company stood at 12.98 percent in FY2019 as against 12.75 percent in FY2018. Profit after Tax (PAT) margins increased to 1.34 per cent in FY2019 from 0.46 per cent in FY2018.

Acuite believes that the scale of operations and profitability will improve further due to growth in export business.

## **Weaknesses**

- **Intensive working capital operations**

The working capital of NTB is intensive in nature marked by high Gross Current Asset (GCA) days of 299 for FY2019 as against 341 in the previous year. This is on account of high inventory days which stood at 238 for FY2019 as against 279 for FY2018, further debtor days stood at 79 in FY2019 as against 88. However, the reliance on working capital facility is high, its utilization is around ~80 percent on an average for last 6 months ending September, 2019.

Acuite believes that the working capital requirements will continue to remain intensive over the medium term on account of higher inventory levels to be maintained. This is due to the wide range of products been manufactured by the company.

- **Above average financial risk profile**

The financial risk profile is above average marked by moderate net worth and debt protection measures and high gearing. The net worth of the company is moderate at Rs.14.23 crore as on 31 March 2019 as against Rs.13.89 crore as on 31 March 2018. The gearing (debt to equity) of the company marginally deteriorated to 1.16 times as on March 31 2019 from 1.07 times as on March 31 2018. Total debt of Rs.16.55 crore consists of term loan of Rs.2.30 crore, unsecured loans of Rs.2.56 crore and working capital facility of Rs.11.69 crore as on 31 March 2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 1.52 times as on 31 March 2019 as against 1.34 times as on 31 March 2018. Interest Coverage Ratio (ICR) stood at 1.88 times in FY2019 as against 1.99 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.09 times as on 31 March 2019 as against 0.08 times as on 31 March 2018. Debt Service Coverage Ratio (DSCR) stood at 1.88 times in FY2019 as against 1.99 times in FY2018.

Acuite believes the company will maintain above average financial risk profile in absence of any debt funded capex plan.

## **Rating Sensitivity**

- Increase in scale of operations in the range of Rs.40.00 to 50.00 crore coupled with improvement in profitability.
- Deterioration in working capital operations marked by Gross Current Assets (GCA) days in the range of 350 to 400 days.

## **Material Covenants**

None.

## **Liquidity Position - Adequate**

NTB has adequate liquidity marked by net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.54 crore in FY2019 as against Rs.1.24 crore in FY2018 and Rs.1.06 crore in FY2017, while its maturing debt obligation was around Rs.0.46 crore for FY2019, FY2018 and FY2017. The company's working capital operations are intensive as marked by high gross current asset (GCA) days of 299 in FY2019. Further, the reliance on working capital borrowings is high, the cash credit limit in the company remains utilized at ~80 percent during the last 6 months' period ended September, 2019. The company maintains unencumbered cash and bank balances of Rs.0.04 crore as on March 31, 2019. The current ratio of the company stands at 1.24 times as on March 31, 2019.

Acuite believes that the liquidity of the company is likely to improve at the back of improvement in scale of operations.

### Outlook: Stable

Acuite believes that NTB will maintain a 'Stable' outlook over the medium term from the industry experience of its management. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in NTB's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure, working capital operations and debt protection metrics.

### About the Rated Entity - Key Financials

|                               | Unit    | FY19 (Actual) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 25.29         | 18.99         | 21.61         |
| EBITDA                        | Rs. Cr. | 3.28          | 2.42          | 2.00          |
| PAT                           | Rs. Cr. | 0.34          | 0.09          | 0.17          |
| EBITDA Margin                 | (%)     | 12.98         | 12.75         | 9.24          |
| PAT Margin                    | (%)     | 1.34          | 0.46          | 0.80          |
| ROCE                          | (%)     | 7.05          | 4.76          | 4.44          |
| Total Debt/Tangible Net Worth | Times   | 1.16          | 1.07          | 1.00          |
| PBDIT/Interest                | Times   | 1.88          | 1.99          | 2.07          |
| Total Debt/PBDIT              | Times   | 5.01          | 5.97          | 6.69          |
| Gross Current Assets (Days)   | Days    | 299           | 341           | 310           |

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

None.

### Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

| Date        | Name of Instrument / Facilities | Term       | Amount (Rs. Cr.) | Ratings/Outlook               |
|-------------|---------------------------------|------------|------------------|-------------------------------|
| 24th Apr 19 | Cash Credit                     | Long Term  | 7.50             | ACUITE B+ (Indicative)        |
|             | Term Loan                       | Long Term  | 2.75             | ACUITE B+ (Indicative)        |
|             | Letter of Credit                | Short Term | 0.10             | ACUITE A4 (Indicative)        |
|             | Bank Guarantee                  | Short Term | 0.60             | ACUITE A4 (Indicative)        |
| 5th Mar 18  | Cash Credit                     | Long Term  | 7.50             | ACUITE B+ / Stable (Assigned) |
|             | Term Loan                       | Long Term  | 2.75             | ACUITE B+ / Stable (Assigned) |
|             | Letter of Credit                | Short Term | 0.10             | ACUITE A4 (Assigned)          |
|             | Bank Guarantee                  | Short Term | 0.60             | ACUITE A4 (Assigned)          |

**\*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 | 12.00                       | ACUITE BB- / Stable (Upgraded from ACUITE B+/Stable) |
| Term Loan              | Not Applicable   | Not Applicable | Not Applicable | 2.30                        | ACUITE BB- / Stable (Upgraded from ACUITE B+/Stable) |
| Letter of Credit       | Not Applicable   | Not Applicable | Not Applicable | 0.10                        | ACUITE A4+ (Withdrawn)                               |
| Bank Guarantee         | Not Applicable   | Not Applicable | Not Applicable | 0.30                        | ACUITE A4+ (Upgraded from ACUITE A4)                 |
| Proposed Bank Facility | Not Applicable   | Not Applicable | Not Applicable | 0.45                        | ACUITE BB- / Stable (Upgraded)                       |

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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
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**About Acuité Ratings & Research:**

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