

Press Release

Nemlaxmi Books (India) Private Limited (NBPL)

12 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 28.00 Cr.
Long Term Rating	SMERA BB/Stable
Short Term Rating	SMERA A4+

**Refer annexure for details*

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double**) and short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.28.00 crore bank facilities of Nemlaxmi Books (India) Private Limited. The outlook is '**Stable**'.

Nemlaxmi Books (India) Private Limited (NBPL) is Surat-based private limited company incorporated in 1992. The company is engaged in the business of manufacturing educational stationary. NBPL exports ~90% of total sales to Africa, Europe and China. NBPL has around 250 types of books that it manufactures.

Key rating drivers

Strengths

Established track record of operations and experienced management

NBPL was incorporated in 1992 is Surat, Gujarat based company promoted by Mr. Vimalkumar Sekhani and Mr. Vineet Sekhani who possesses around two decade of experience in the same line of business.

SMERA believes that the established track record of NBPL and extensive experience of management has benefited company by building healthy relationship with customers and suppliers.

Moderate financial risk profile

The financial risk profile of NBPL is moderate marked by tangible net worth of Rs. 21.55 crore as on 31 March, 2017 as against Rs. 14.57 crore as on 31 March, 2016. The gearing (debt-equity) stood at 0.43 times as on 31 March, 2017 as against 0.74 times as on 31 March, 2016. The total debt of Rs. 9.22 crore as on 31 March, 2017 consists mainly of short term debt of Rs. 8.28 crore. The Interest Coverage Ratio (ICR) stood at 2.00 times for FY2017 as against 2.51 for FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.07 times as on 31 March 2017 as against 1.39 times as on 31 March 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.27 times in FY2017 as against 0.22 times in FY2016.

SMERA believes that going forward NBPL will maintain its financial risk profile backed by moderate net cash accruals and in absence of any debt-funded capital expenditure.

Weaknesses

Working capital intensive nature of operations

NBPL operates in a working capital intensive nature of business marked by Gross Current Asset (GCA) days of 191 as on 31 March, 2017 as against 206 days as on 31 March, 2016. This

is due to elongated inventory days of 122 for FY2017 and debtor days of 29 for FY2017. Further, average utilisation of working capital borrowing stood at ~80.00 per cent for last six months ending March 2018.

Competitive and fragmented industry

NBPL is engaged in the manufacturing of educational stationary and packaging boxes. The packaging industry is marked by low entry barriers. The industry is also marked by presence of different players in organized segment. Furthermore, customers of company are also procuring stationary from other manufacturers also. This posed competitive pressure for the company from the other players in the industry.

Analytical approach:

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

Outlook – Stable

SMERA believes NBPL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	34.41	36.51	31.13
EBITDA	Rs. Cr.	3.89	3.53	3.26
PAT	Rs. Cr.	1.55	1.88	0.51
EBITDA Margin	(%)	11.29	9.67	10.48
PAT Margin	(%)	4.50	5.16	1.63
ROCE	(%)	10.62	19.63	28.28
Total Debt/Tangible Net Worth	Times	0.43	0.74	0.60
PBDIT/Interest	Times	2.00	2.51	1.58
Total Debt/PBDIT	Times	2.34	2.06	2.18
Gross Current Assets (Days)	Days	191	206	239

Any other information:

Not Applicable

Applicable Criteria

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

SMERA Ratings Limited

Registered Office: 102, Sumer Plaza, Marol Maroshi Road, Marol, Andheri (East), Mumbai - 400 059

CIN: U74999MH2005PLC155683 | SEBI Permanent Registration No.: IN / CRA / 006 / 2011

None

Rating History (Upto last three years)

The company has not been rated by SMERA in the past.

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	Not Applicable	Not Applicable	Not Applicable	0.48	SMERA BB/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	5.65	SMERA BB/Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB/Stable
Packing Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+
Proposed Fund Base Facility	Not Applicable	Not Applicable	Not Applicable	6.80	SMERA BB/Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.37	SMERA A4+
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.70	SMERA A4+

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ABOUT SMERA

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