

## Press Release

### Nabha Duplex Limited

18 April, 2018

### Rating Assigned



|                                     |                           |
|-------------------------------------|---------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 9.40 Cr.              |
| <b>Long Term Rating</b>             | SMERA B+/ Outlook: Stable |

\* Refer Annexure for details

### Rating Rationale

SMERA has assigned the long term rating to **'SMERA B+' (read as SMERA B plus)** on the Rs. 9.40 crore bank facilities of Nabha Duplex Limited (Erstwhile known as Gahir Paper Mills Limited). The outlook is **'Stable'**.

Nabha Duplex Limited (NDL), incorporated in 1988 is a Punjab-based company promoted by Mr. Pulkit Gupta and Mr. Lakshay Gupta. The company is engaged in the manufacturing of duplex and board paper with grams per square meter (GSM) of 150 to 350 GSM. The firm has manufacturing unit with installed capacity of 9,855 metric tonnes per annum. The raw materials are procured from Punjab, New Delhi, Haryana and Rajasthan. The finished product is sold to traders and manufacturers in north India and exported to Nepal. The products find application in the packaging industry.

### Key rating drivers

#### Strengths

**Established track record of operations and experienced management:** NDL has established operational track record of around three decades which has helped maintain long standing relations with customers and suppliers. The firm also benefits from its experienced promoters, Mr. Pulkit Gupta and Mr. Lakshay Gupta who possess around a decades experience in the paper manufacturing business.

#### Weaknesses

**Average financial risk profile:** NDL has average financial risk profile marked by low net worth of Rs. 3.17 crore as on 31 March, 2017 compared to Rs. 3.09 crore as on 31 March, 2016. The gearing improved to 3.93 times as on 31 March, 2017 from 4.04 times as on 31 March, 2016. This is due to repayment of long term debt. The total debt of Rs. 12.47 crore comprises term loan of Rs. 2.21 crore from banks, interest bearing unsecured loans from related parties of Rs.3.17 crore and working capital funds of Rs. 7.09 crore as on 31 March, 2017. The interest coverage ratio stood at 1.50 times in FY2017 as against 1.68 times in FY2016. This is mainly due to decline in profitability in FY2017. The net cash accruals stood at Rs.0.75 crore as against repayment obligation of Rs.0.51 crore in FY2017.

Going forward, SMERA expects the firm to maintain its financial risk profile and improve its networth in the absence of major debt funded capex plan.

**Working capital intensive operations, stretched liquidity:** The operations are working capital intensive marked by gross current asset days (GCA Days) of 320 for FY2017 as against 290 days as on 31st March, 2016. The high GCA days are on account of high debtor days of 222 in FY2017 as against 177 days in FY2016. Further, the average cash credit utilisation for last six months ended 31 October, 2017 is 97.81 per cent.

**Susceptibility of profitability to volatility in raw material prices, forex fluctuation risk:** The main raw material purchased by the company is waste paper which constitutes around 62 percent of total sales in FY2017 as against 63.60 percent in the previous year. Adverse movements in raw material prices can impact profitability.

**Highly fragmented and competitive industry:** NDL is exposed to intense competition from organised and unorganised players in the industry.

#### Analytical approach:

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

#### Outlook – Stable

SMERA believes that NDL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers significant growth in revenue while achieving improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or deterioration in liquidity position.

#### About the Rated Entity - Key Financials

|                               | Unit    | FY17 (Actual) | FY16 (Actual) | FY15 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 17.83         | 17.30         | 17.93         |
| EBITDA                        | Rs. Cr. | 2.43          | 1.85          | 1.83          |
| PAT                           | Rs. Cr. | 0.11          | 0.26          | 0.26          |
| EBITDA Margin                 | (%)     | 13.61         | 10.67         | 10.22         |
| PAT Margin                    | (%)     | 0.62          | 1.51          | 1.46          |
| ROCE                          | (%)     | 12.43         | 11.92         | 23.55         |
| Total Debt/Tangible Net Worth | Times   | 3.93          | 4.04          | 3.23          |
| PBDIT/Interest                | Times   | 1.50          | 1.68          | 1.75          |
| Total Debt/PBDIT              | Times   | 4.78          | 5.77          | 4.94          |
| Gross Current Assets (Days)   | Days    | 320           | 290           | 218           |

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

None

#### 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>

## 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            | Not Applicable   | Not Applicable | Not Applicable | 7.00                          | SMERA B+/<br>Stable (Assigned) |
| Term loans             | Not Applicable   | Not Applicable | Not Applicable | 1.70                          | SMERA B+/<br>Stable (Assigned) |
| Term loans             | Not Applicable   | Not Applicable | Not Applicable | 0.70                          | SMERA B+/<br>Stable (Assigned) |

## Contacts:

| Analytical  | Rating Desk  |
|---|--|
| <p>Suman Chowdhury<br/>President - SMERA Bond Ratings<br/>Tel: 022-67141107<br/><a href="mailto:suman.chowdhury@smera.in">suman.chowdhury@smera.in</a></p> <p>Aishwarya Phalke,<br/>Rating Analyst,<br/>Tel: +91-22-6714 1156<br/>Email: <a href="mailto:aishwarya.phalke@smera.in">aishwarya.phalke@smera.in</a></p> | <p>Varsha Bist<br/>Sr. Executive<br/>Tel: 022-67141160<br/>Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a></p> |

## ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit [www.smera.in](http://www.smera.in).

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a

*revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.*