

Press Release

Nabha Duplex Limited

18 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.40 Cr.
Long Term Rating	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+/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.70	SMERA B+/ Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.70	SMERA B+/ Stable (Assigned)

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ABOUT SMERA

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