

Press Release

Nile Overseas

May 25, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.50 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.11.50 crore bank facilities of NILE OVERSEAS. The outlook is '**Stable**'.

Established in 2014, Nile Overseas is a Panipat (Haryana) based partnership firm promoted by Mr. Jasvir Singh Jaglan and Mrs. Jyoti Jaglan. The firm is engaged in the manufacture and wholesale of mink blanket from polyester yarn with an installed capacity of 3600 tonnes per annum. The day to day operations are managed by Mr. Jasvir Singh Jaglan.

Key Rating Drivers

Strengths

- **Proximity to raw material and access to customer base**

The firm benefit in terms of its proximity to raw material as Panipat is the biggest producer of recycled yarn- the primary input required in production of mink blankets. Further, the firm enjoys easy access to customers owing to established wholesale and textile market in Panipat.

Weaknesses

- **Weak financial risk profile**

The firm exhibits weak financial risk profile marked by a low net worth of Rs.0.93 crore in FY2017 as against Rs.4.54 crore. The net worth declined significantly in FY2017 owing to withdrawal of capital on account of change in partners of the firm. The gearing increased from 2.64 times in FY2016 to 7.18 times in FY2017 mainly on account of decline in net worth levels. However, the debt protection metrics is healthy reflected by Interest Coverage Ratio (ICR) of 2.43 times in FY2017 as compared to 3.11 times in the previous year. Net Cash Accrual to Total Debt (NCA/TD) registered a decline from 0.31 times in FY2016 to 0.13 times in FY2017.

- **Moderate Scale of Operation**

The scale of operation is moderate reflected in the operating income of Rs.33.05 crore in FY2017 as compared to Rs.33.26 Crore in FY2016. Further, the operating income declined in FY2018 to Rs.25.00 crore (provisional) due to stiff competition and lower sales realisation.

Analytical Approach:

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

Outlook: Stable

SMERA believes that the firm will maintain a 'Stable' outlook on account of experienced management and location advantage. The outlook may be revised to 'Positive' in case of higher than expected growth in revenue and profitability while improving the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or working capital requirements deteriorating the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	33.05	33.26	15.67
EBITDA	Rs. Cr.	3.36	6.43	2.11
PAT	Rs. Cr.	0.35	2.50	-0.27
EBITDA Margin	(%)	10.18	19.33	13.48
PAT Margin	(%)	1.05	7.52	-1.69
ROCE	(%)	9.13	23.57	7.63
Total Debt/Tangible Net Worth	Times	7.18	2.46	4.56
PBDIT/Interest	Times	2.43	3.11	2.16
Total Debt/PBDIT	Times	4.65	2.22	7.25
Gross Current Assets (Days)	Days	110	117	195

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

CARE, vide its press release dated March 26, 2018 had denoted the rating of Nile Overseas as 'CARE B+/Stable/CARE A4'; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

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

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	4.75	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	6.75	SMERA B+ / Stable

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ABOUT SMERA

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