

Press Release

N R Colours Limited

July 06, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.77 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 15.77 crore bank facilities of N R COLOURS LIMITED. The outlook is '**Stable**'.

Incorporated in 1990, NRCL is a Mumbai based company promoted by Mr. Nirav J. Raveschia. The company is engaged in manufacturing and distributing of synthetic resins, pigments and additives, marine paints which cater to paints and construction chemical industry. The firm caters to the clients like Akzo Nobel, Kansai Nerolac Paints, Asian Paints, and Nippon Paints etc.

Key Rating Drivers

Strengths

- Established Track Record of Operations and Experienced Management**

The company has established track record of operations for nearly two decades as a Chemical Distributor. The established presence has helped the firm maintain long standing relation with reputed clientele including Akzo Nobel, Kansai Nerolac Paints, Asian Paints, and Nippon Paints etc. The firm also benefits from the extensive experience of its promoter Mr. Nirav J. Raveschia who collectively possesses extensive experience in the same line of business.

- Improving Profitability**

NRCL has recorded operating margin of 7.26 percent in FY2017 as against 5.24 percent in FY2016. Profitability is susceptible to volatile raw material prices. Further, company has focused more on manufacturing products with higher margin base which includes pigment dispersion. Further, NRCL has recorded operating margins of 6.67 percent for FY2018 (Provisional). The PAT margins have also improved to 3.51 percent in FY2018 (Provisional) as against 3.30 percent in FY2017.

- Average Financial Risk Profile**

The average financial risk profile is marked by moderate networth of Rs. 8.07 crore as on 31 March, 2018 (Provisional) as compared to Rs. 6.49 crore a year earlier. The net worth includes unsecured loans of Rs. 4.57 crore as on 31 March, 2018 (Provisional), compared to Rs. 4.48 crore as on 31 March, 2017 from promoters which are subordinated to bank debt. Hence, Acuité has treated them as quasi equity. The gearing stood at a moderate 1.03 times as on 31 March, 2018 (Provisional) as against 1.47 times in the previous year. The total debt of Rs. 8.30 for FY2018 (Provisional) working capital limit of Rs 7.71 crore and unsecured loans of Rs. 0.59 crore. The interest coverage ratio stood average at 2.48 times in FY2018 (Provisional) against 2.10 times in FY2017. The net cash accrual by total debt (NCA/TD) stood at 0.27 times in FY2018 (Provisional) compared to 0.19 times in FY2017. The debt to service coverage ratio (DSCR) stood at 2.46 times in FY2018 (Provisional) compared to 1.57 times in FY2017. Acuité expects the firm to continue its moderate risk profile in the medium term. Further the firm's ability to improve its net worth along with debt protection metrics will remain key credit monitorables.

Weaknesses

- Modest Scale of Operations**

Company has modest scale of operations marked by operating income of Rs. 50.62 crore in FY2016-17 as against Rs. 42.89 crore in FY2015-16 and Rs. 58.14 crore in FY2014-15. However, Company has

achieved revenue of Rs. 50.62 crore for FY2018 (Provisional). Acuité believes that the company's long track record of operations along with scaling up of operating income would be a key credit monitorable factor.

• Risk Associated with Volatility in Raw Material Prices and Forex rates

NRCL operates in paint industry where ~50 percent of the raw material is petroleum based; prices of same are exposed to market fluctuations. Further, company also imports ~30 percent of material and partly hedges this exposure. This has exposed it towards the risk associated with fluctuation of raw material prices and forex rates.

Analytical Approach

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

Outlook: Stable

SMERA believes NRCL will maintain its moderate business risk profile in the medium term on the back of long standing experience of the promoter in the business. The outlook may be revised to 'Positive' in case of significant improvement in profitability and accruals and adequate working capital management. Conversely, the outlook may be revised to 'Negative' in case of significant decline in profitability as well as accruals.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	50.62	40.64	42.89
EBITDA	Rs. Cr.	3.38	2.95	2.25
PAT	Rs. Cr.	1.78	1.34	0.38
EBITDA Margin	(%)	6.67	7.26	5.24
PAT Margin	(%)	3.51	3.30	0.89
ROCE	(%)	20.45	22.07	21.11
Total Debt/Tangible Net Worth	Times	1.03	1.47	1.55
PBDIT/Interest	Times	2.48	2.10	1.55
Total Debt/PBDIT	Times	2.21	2.73	2.34
Gross Current Assets (Days)	Days	156	157	136

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.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)

Not Applicable

***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	7.50	ACUITE B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	8.27	ACUITE A4

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About Acuité Ratings & Research:

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