

Press Release

Niox Speciality Paper Mills



July 26, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B-/Stable (Assigned)
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned long term rating of '**ACUITE B-**' (**read as ACUITE B minus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 12.00 crore bank facilities of Niox Speciality Paper Mills (NSPM). The outlook is "**Stable**"

Established in 2014- NSPM is Ahmedabad based partnership firm engaged in manufacturing of Kraft, Specialty and base paper required for lamination, wrapping and packing with an installed capacity of 50 tons per day. The unit commenced operations in June 2016. The firm is set up by five experienced partners in the form of Mr. Nikhil Arvindbhai Patel, Mr. Arvindbhai Somabhai Patel, Mr. Paresh Govind Bhai Patel, Mr. Govindbhai Keshavlal Patel and Mr. Qureshi Fakim Ahmed who has over three decades of experience in the dyes and chemicals industry.

Key Rating Drivers

Strengths

Experienced management

The unit is set up by five experienced partners in the form of Mr. Nikhil Arvindbhai Patel, Mr. Arvindbhai Somabhai Patel, Mr. Paresh Govind Bhai Patel, Mr. Govindbhai Keshavlal Patel and Mr. Qureshi Fakim Ahmed who has over three decades of experience in the dyes and chemicals industry.

Weaknesses

Modest scale of operation and losses at net level

The scale of operation is modest with revenue of Rs 25.13 crs in FY 2017-18 (prov) as compare to Rs 5.90 cr in the previous year. The modest scale of operation is on account of limited operational track record of ~ 2 years.

Moderate financial risk profile

The financial risk profile is moderate marked by modest net worth, high gearing and moderate debt protection metrics. The net worth stood at Rs. 5.20 crore as on 31 March, 2018 (Provisional) compared with Rs. 5.21 crore as on 31 March, 2017. The gearing stood at high at 2.97 times as on 31 March, 2018 (provisional) compared to 3.24 times in the previous year. The interest coverage ratio (ICR) stood at 2.01 times in FY2018 (Provisional) compared to 1.02 times in FY2017. The DSCR stood at 1.07 times in FY2018 (Provisional) compared to 1.02 times in FY2017.

Margins Susceptible to raw material fluctuation price

NSPL margins are susceptible to volatility in raw material prices. Any adverse changes in prices may affect the profitability of the firm.

Outlook: Stable

Acuité believes NSPM will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and profitability and improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues and profitability, or in case of deterioration in the firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

Analytical Approach: Acuité has taken a standalone view of the business and financial risk profile and NSPM.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	25.12	5.90	-
EBITDA	Rs. Cr.	3.27	0.80	-
PAT	Rs. Cr.	(0.42)	0.01	-
EBITDA Margin	(%)	13.01	13.85	-
PAT Margin	(%)	(1.68)	0.24	-
ROCE	(%)	5.46	4.79	-
Total Debt/Tangible Net Worth	Times	2.97	3.24	-
PBDIT/Interest	Times	2.01	1.02	-
Total Debt/PBDIT	Times	5.07	19.09	-
Gross Current Assets (Days)	Days	132	414	-

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/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

NA

***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	3.50	ACUITE B-/Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE B-/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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