

## Nirmesh Enterprises Private Limited (NEPL)

January 07, 2014

Facilities	Amount (Rs. Crore)	Ratings
<b>Cash Credit</b>	<b>2.50</b>	<b>SMERA BB-/Stable (Assigned)</b>
<b>Letter of Credit</b>	<b>7.50*</b>	<b>SMERA A4+(Assigned)</b>
<b>Bank Guarantee</b>	<b>3.00</b>	<b>SMERA A4+(Assigned)</b>

*\*Interchangeable with cash credit limit to the extent of Rs.1.00 crore*

SMERA has assigned a long-term rating of '**SMERA BB-**' (read as **SMERA Double B minus**) and a short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.13.00 crore bank facilities of Nirmesh Enterprises Private Limited (NEPL). The outlook is '**Stable**'. The ratings are constrained by the company's modest scale of operations and low profitability amidst intense competition prevalent in the chemicals trading business. However, the ratings are supported by the company's moderate debt protection metrics, comfortable liquidity position, diversified product portfolio and experienced management.

NEPL, established in 1977, is an Indore-based company engaged in trading of chemicals, bulk drugs, plastic films and printing ink. NEPL has a modest scale of operations with revenues of Rs.50.94 crore in FY2012-13 (refers to financial year, April 01 to March 31). Moreover, the company's revenue growth (in FY2013-14) is likely to be muted due to the temporary closure of operations of one of its major suppliers in China. Consequently, NEPL registered subdued revenues of Rs.21.26 crore during April 2013 to September 2013.

NEPL's profit margins are susceptible to the intense competition prevalent in the chemical trading business. The company's operating profit margin declined from 2.55 per cent in FY2009-10 to 1.43 per cent in FY2012-13 mainly due to increase in cost of purchases. Moreover, the company's net profit of Rs.0.32 crore in FY2012-13 is largely supported by non-operating income of Rs.0.19 crore.

NEPL has moderate debt protection metrics with leverage at 0.81 times as on March 31, 2013 and interest coverage ratio of 1.91 times in FY2012-13. The company has a comfortable liquidity position with average utilisation of working capital limit at 13 per cent during April 2013 to September 2013. NEPL has a diversified product portfolio. The company caters to customers in the pharmaceutical, printing, packaging, paint and mining industry.

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Mr. Nirmal Kant Bagree, Director of NEPL, has around 36 years of experience in the chemical trading business.

### **Outlook: Stable**

SMERA believes the outlook on NEPL's rated facilities will remain stable over the medium term on account of the company's experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the company achieves a sustained growth in revenues and profit margins while maintaining a comfortable leverage level. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's revenues and profit margins.

### **About the company**

NEPL, established in 1977, is an Indore-based company involved in trading of chemicals, bulk drugs, plastic films and printing ink. NEPL was established as a partnership firm and reconstituted as a private limited company in 2005.

For FY2012-13, NEPL reported PAT of Rs.0.31 crore on operating income of Rs.50.94 crore as compared with PAT of Rs.0.32 crore on operating income of Rs.46.57 crore for FY2011-12. NEPL's net worth stood at Rs.2.81 crore as on March 31, 2013 as compared with Rs.2.49 crore a year earlier.

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