



SMERA RATINGS LIMITED

Nirmesh Enterprises Private Limited (NEPL)

*Rating
Rationale*

December 12, 2014

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

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

SMERA has reaffirmed the long-term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and the short-term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.13.00 crore bank facilities of Nirmesh Enterprises Private Limited (NEPL). The outlook is '**Stable**'. The ratings remain constrained by the company's modest-scale operations and low profitability. The ratings are also constrained by the company's exposure to intense competition 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.

Update

NEPL reported revenue of Rs.49.84 crore in FY2013-14 (refers to financial year, April 01 to March 31), as compared with revenue of Rs.50.94 crore in FY2012-13. The company reported gross sales of ~Rs.45.00 crore during April 2014 to October 2014. NEPL's operating margin improved marginally to 1.54 per cent in FY2013-14 from 1.43 per cent in FY2012-13. The company's tangible net worth stood at Rs.3.03 crore as on March 31, 2014, as compared with Rs.2.81 crore a year earlier. NEPL's debt-equity ratio deteriorated from 0.81 times as on March 31, 2013 to 1.28 times as on March 31, 2014 on account of increase in utilisation of working capital limit. The company's interest coverage ratio declined from 2.39 times in FY2011-12 to 2.07 times in FY2013-14. NEPL's cash credit utilisation is comfortable at ~57 per cent during April 2014 to November 2014.

Outlook: Stable

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

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**About the company**

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

For FY2013-14, NEPL reported profit after tax (PAT) of Rs.0.22 crore on operating income of Rs.49.84 crore, as compared with PAT of Rs.0.32 crore on operating income of Rs.50.94 crore in FY2012-13. NEPL's net worth stood at Rs.3.03 crore as on March 31, 2014, as compared with Rs.2.81 crore a year earlier.

Contact List

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Virendra Goyal Vice President –SME Sales Tel: +91-22-6714 1177 Cell: +91 9930074009 Email: virendra.goyal@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Cell: +91 9819293790 Email: ashutosh.satsangi@smera.in	Tel: +91 22 6714 1170 Email: ratingdesk@smera.in

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