

February 27, 2016

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)

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 draw support from the low gearing, comfortable liquidity position, diversified product portfolio and experienced management. However, the ratings remain constrained by the company's modest-scale of operations and low profitability. The ratings are also constrained by the intense competition in the chemicals trading business.

Update

NEPL reported revenue of Rs.66.47 crore in FY2014-15 (refers to financial year, April 01 to March 31), as compared with revenue of Rs.49.48 crore in FY2013-14 mainly on account of new products. The operating margin declined to 1.36 per cent in FY2014-15 from 1.54 per cent in FY2013-14 due to the stiff competition on product pricing. Besides, the gearing stood at around 0.31 times as on March 31, 2015 after treating unsecured loans of Rs.2.16 crore as quasi equity. The company's interest coverage ratio stood low at 1.67 times in FY2014-15. NEPL's cash credit utilisation is comfortable at ~66 per cent during the period August 2015 to January 2016.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Improving the financial risk profile

Outlook – Stable

SMERA believes that 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' if 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 revenues and profit margins.

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SMERA RATINGS LIMITED

Nirmesh Enterprises Private Limited (NEPL)

**Rating
Rationale**

About the Company

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

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