

North Street Cooling Towers Private Limited

January 23, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	5.80	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Reaffirmed
Short-term Bank Facilities	4.00	CARE A4 (A Four)	Reaffirmed
Total Facilities	9.80 (Rupees Nine crore and Eighty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The ratings assigned to the bank facilities of North Street Cooling Towers Private Limited (NSCT) continue to remain constrained by its small scale of operations, moderate profitability margins and working capital intensive nature of operations. The ratings are also constrained by the susceptibility of margins to raw material price fluctuations, exposure to foreign exchange fluctuation risk and tender-driven business with intense competition in the industry.

The ratings, however, continue to take comfort from the experienced promoter with, long track record, comfortable capital structure and satisfactory debt coverage indicators.

Going forward, the ability of NSCT to improve its scale of operations while improving its profitability margins along with efficient working capital utilization shall be the key rating sensitivities.

Detailed description of the key rating drivers

The total operating income of the company grew at a rate of 28% in FY16 (refers to the period April 01 to March 31). The profitability margins of the company continued to remain moderate as the company manufactures customized products which are technical in nature. Furthermore, capital structure of company continued to remain comfortable on account of moderate net worth base. The debt coverage indicators continued to remain moderate on account of moderate profitability and moderate gross cash accruals.

The operations of the company continued to remain working capital intensive owing to high collection period and inventory days. Furthermore, working capital borrowings remained almost fully utilized for the 12-month period ended November 30, 2016, indicating high reliance on the bank finance to meet the working-capital requirement

The company is exposed to the raw material price volatility risk due to the volatility experienced in the prices of steel and PVC fills etc. Since it constitute a major component of the raw material and hence any volatility in their prices has a direct impact on the profitability margins of the company. The cooling tower industry is competitive with many high net worth players operating in the sector affecting the profitability of the participants.

The profit margins of the company are vulnerable to foreign currency exchange fluctuation risk as the company does not have any hedging mechanism for its foreign exchange exposure.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

NSCT was established in the year 1989 as a proprietorship entity by Mr Mukesh Bansal of Uttar Pradesh. In 1993, the entity was re-constituted as a private limited company with Mr Mukesh Bansal and Mr Suresh Chandra Aggarwal as

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

directors. The company is engaged in the manufacturing and installation of commercial and industrial cooling towers with its manufacturing facility located at Ghaziabad, Uttar Pradesh. The company manufactures different kinds of cooling towers like reinforced cement concrete (RCC) cooling towers, wooden and fibre reinforced plastics (FRP) based cooling towers along with manufacturing of supporting spare parts for cooling towers. The company has presence both in domestic and international markets. Around 70% of its business is generated by catering domestic customers and the remaining from exports to the countries like Thailand, Malaysia, and Indonesia.

For FY16 (refers to the period April 01 to March 31), NSCT achieved a total operating income (TOI) of Rs.33.40 crore with profit after tax (PAT) of and Rs.0.94 crore, respectively, as against TOI of Rs.26.05 crore with PAT of Rs.2.50 crore and Rs.0.61 crore, respectively, in FY15. Furthermore, the company has achieved total TOI of Rs.30.50 crore till 8MFY17 (refers to the period April 01 to November 30, based on provisional results).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mr Achin Nirwani

Tel: 011- 45333228

Email: achin.nirwani@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an *External Credit Assessment Institution (ECAI)* by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure 1

Details of Instruments/Facilities:-

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund Based - LT-Cash Credit	-	-	-	5.80	CARE BB-; Stable
Non-Fund Based - ST-Bank Guarantees	-	-	-	4.00	CARE A4

Annexure 2

Rating History for last three years:-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Chronology of Rating history for past three years			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund Based - LT-Cash Credit	LT	5.80	CARE BB-; Stable	-	1)CARE BB-(28-Mar-16) 2)CARE BB-(20-Jul-15)	-	-
2.	Non-Fund Based - ST-Bank Guarantees	ST	4.00	CARE A4	-	1)CARE A4 (28-Mar-16) 2)CARE A4 (20-Jul-15)	-	-

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU

Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH

Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691