

Neeraj Paper Marketing Limited

February 10, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	60.00	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B+; Negative; (Single B Plus; Outlook: Negative)
Short Term Bank Facilities	20.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	80.00 (Rs. Eighty Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated November 22, 2019, placed the ratings of Neeraj Paper Marketing Limited (NPML) under the 'issuer non-cooperating' category as NPML had failed to provide information for monitoring of the ratings. NPML continues to be non-cooperative despite repeated requests for submission of information vide email communications/letter dated January 29, 2021, February 01, 2021, February 03, 2021, and numerous phone calls. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of moderation in operational performance in FY20 (refers to the period from April 01 to March 31) and H1FY21 (refers to the period from April 01 to September 30).

Detailed description of the key rating drivers

Key Rating Weaknesses

Decline in scale of operations

Total operating income of the company declined by 42.82% to Rs.144.28 crore in FY20 led by ~34% decline in sales of duplex board and ~78% decline in sales of waste paper. Further, for the period H1FY21, the company reported a total operating income of Rs.41.26 crore as compared to Rs.77.99 crore reported in H1FY20.

Low profitability margins owing to highly competitive market

The company faces competition from some of the other established players in the same business and also has to deal with stiff resistance from the other local players which are more prevalent in the smaller areas and have an extensive distribution network over the Tier-II/Tier-III cities. This makes the sector highly competitive and leaves little headroom for margin improvement. The PBILDT margin of the company declined to 2.28% (PY: 2.67%) in FY20 due to lower scale of operations which led to under-absorption of employee costs. However, the PAT margin of the company improved from 0.13% in FY19 to 0.53% in FY20 primarily on account of lower interest expenses due to lower average working capital utilization throughout the year.

Working capital intensive operations

The company has working capital intensive operations, as characterized by higher receivable period of 152 days as on March 31, 2020. As compared to this, the company gets minimal credit from its suppliers, resulting in higher working capital requirement.

Key Rating Strengths

Experienced Promoters

The promoters have been associated with the trading business for more than 30 years and have a considerable amount of experience in the paper trading industry. As the other group companies are engaged in manufacturing of paper, Neeraj Papers Marketing Limited is able to derive operational synergy from it. With vastly experienced promoters and presence of the group across the value chain helps the company to develop a strong relationship with its stakeholders.

Moderate financial risk profile

The overall gearing of the company remained stable at 0.96x (PY: 0.97x) as on March 31, 2020. Further, the debt coverage metrics also remained moderate as reflected by the PBILDT interest coverage ratio of 1.49x and total debt/GCA of 22.47x for FY20.

Industry Prospects

The paper & paper products' industry sales remained subdued during FY20 mainly due to low prices and high imports. Due to import restrictions on waste paper and closing of domestic companies due to lockdown, the costs of Kraft and other writing paper are increasing post lockdown due to shortage of raw material. Besides, easing of restrictions in different phases of lockdown resulted in resumption of economic activities and operations of various businesses though at lower capacities which aided the demand for packaging of various products manufactured by several businesses. In addition to this, essential goods were allowed to be transported to retail shops even during lockdown period which also aided the demand for packaging.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Rating Methodology – Wholesale trading](#)

[Criteria for Short Term Instruments](#)

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

[Rating Methodology- Paper Industry](#)

[Liquidity analysis of Non-Financial Sector Entities](#)

About the Company

Neeraj Paper Marketing Limited (NPML), incorporated in 1995, as a Public Limited company. The company is engaged in the trading and distribution of writing & printing paper, waste paper, Kraft Paper, Duplex Board, Poster Paper, and other products. NPML is associated with "Bindal group", Bindals Papers Mills Limited, Bindlas Duplex Limited and Agarwal Duplex Board Limited. NPML procures writing and printing papers from Bindal group and other manufacturers of papers in the market. For trading of waste paper, NPML procures waste papers from waste paper traders and further sell the same to Bindal group and other manufacturers of papers.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	252.34	144.28
PBILDT	6.74	3.29
PAT	0.34	0.76
Overall gearing (times)	0.97	0.96
Interest coverage (times)	1.49	1.49

A: Audited

Status of non-cooperation with previous CRA: India Ratings vide PR dated February 07, 2020

Any other information: NA

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

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	-	-	-	60.00	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	20.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	60.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Negative; ISSUER NOT COOPERATING* (22-Nov-19) 2)CARE BB; ISSUER NOT COOPERATING* (22-May-19)	-	1)CARE BB+; ISSUER NOT COOPERATING* (02-Jan-18)
2.	Non-fund-based - ST-BG/LC	ST	20.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (22-Nov-19) 2)CARE A4; ISSUER NOT COOPERATING* (22-May-19)	-	1)CARE A4+; ISSUER NOT COOPERATING* (02-Jan-18)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Nil**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-BG/LC	Simple

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

Contact us

Media Contact

Mradul Mishra

Contact no. – 022-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Mr. Sachin Mathur

Contact no.- 011- 4533 3206

Email ID- sachin.mathur@careratings.com

Relationship Contact

Ms. Swati Agrawal

Contact no. :+91-11-4533 3200

Email ID: swati.agrawal@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 the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.