

## Neeraj Paper Marketing Limited

June 20, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	60.00	CARE B; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	20.00	CARE A4; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Neeraj Paper Marketing Limited to monitor the ratings vide e-mail communications/letters dated May 15, 2023; May 16, 2023; June 12, 2023 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, Neeraj Paper Marketing Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Neeraj Paper Marketing Limited's bank facilities will now be denoted as **CARE B; Stable/CARE A4; ISSUER NOT COOPERATING\***.

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

**Analytical approach:** Standalone

**Outlook:** Stable

CARE Ratings believes that the entity will continue to benefit from its long-standing experience of promoters in the industry over the years.

### Detailed description of the key rating drivers:

At the time of last rating on April 27, 2022, the following were the rating strengths and weaknesses (updated for the information available from Stock exchange):

#### Key Rating Weaknesses

**Modest scale of operations:** The total operating income of the company continues to remain at a modest level. Post covid, total operating income of the company grew by 62.89% to Rs.219.94 crore in FY23 (refers to the period from April 01 to March 31) (PY: Rs.135.03 crore). However, the same remained at a modest level.

**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 continued to remain low at 1.45% (PY: 2.08%) in FY23. Decline in PBILDT margin led to decline in PAT margin to 0.23% (PY: 0.67%) in FY23.

**Working capital intensive operations:** The company has working capital intensive operations, as characterized by high receivable period of 76 days as on March 31, 2023 (PY: 115 days). As compared to this, the company gets minimal credit from its suppliers, resulting in higher working capital requirement. Improvement in working capital cycle in FY23 was mainly due to base effect.

#### 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.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Moderate financial risk profile:** The overall gearing of the company remained stable at 0.99x as on March 31, 2023 (PY: 0.90x). Further, the debt coverage metrics also remained moderate as reflected by the PBILDT interest coverage ratio of 1.53x (PY: 1.74x) and total debt/GCA of 29.54x (PY: 15.74x) for FY23

**Liquidity:** Stretched

Liquidity is stretched marked by working capital intensive operations owing to high levels of receivables. The company had free cash & bank balance of Rs. 0.48 Cr., as on March 31, 2023. The current and quick ratios of the company stood at a comfortable level of 1.88x and 1.88x, as on March 31, 2023 (PY: 2.01x and 2.01x).

**Applicable criteria**

- [Policy in respect of Non-cooperation by issuer](#)
- [Policy on default recognition](#)
- [Financial Ratios – Non financial Sector](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Rating Outlook and Credit Watch](#)
- [Short Term Instruments](#)
- [Paper Industry](#)
- [Wholesale Trading](#)
- [Policy on Withdrawal of Ratings](#)

**About the company and industry**

**Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Forest Materials	Paper, Forest & Jute Products	Paper & Paper Products

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 (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	135.03	219.95
PBILDT	2.81	3.20
PAT	0.90	0.52
Overall gearing (times)	0.90	0.99
Interest coverage (times)	1.74	1.53

A: Audited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** India Ratings vide P.R. dated March 21, 2023

**Any other information:** Not Applicable

**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:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ 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 for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	60.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (27-Apr-22)	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (10-Feb-21)
2	Non-fund-based - ST-BG/LC	ST	20.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (27-Apr-22)	-	1)CARE A4; ISSUER NOT COOPERATING* (10-Feb-21)

\*Issuer did not cooperate; based on best available information.

\*Long term/Short term.

### Annexure-3: Detailed explanation of covenants of the rated instruments/facilities- Not Applicable

### Annexure-4: Complexity level of the various instruments rated

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

### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

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

### Contact us

<p><b>Media Contact</b></p> <p>Name: Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Name: Dinesh Sharma Director <b>CARE Ratings Limited</b> Phone: +91-120-4452005 E-mail: <a href="mailto:dinesh.sharma@careedge.in">dinesh.sharma@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Name: Sajan Goyal Director <b>CARE Ratings Limited</b> Phone: +91-120-4452017 E-mail: <a href="mailto:sajan.goyal@careedge.in">sajan.goyal@careedge.in</a></p> <p>Name: Sachin Mathur Associate Director <b>CARE Ratings Limited</b> Phone: +91-120- 4452054 E-mail: <a href="mailto:sachin.mathur@careedge.in">sachin.mathur@careedge.in</a></p> <p>Name: Kanwalpreet Singh Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Kanwalpreet.S@careedge.in">Kanwalpreet.S@careedge.in</a></p>
---	---

#### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

#### Disclaimer:

The ratings issued by CARE 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. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information, please visit [www.careedge.in](http://www.careedge.in)**