

## Neeraj Paper Marketing Limited

April 27, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	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
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
<b>Total Bank Facilities</b>	<b>80.00</b> <b>(Rs. Eighty Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. had, vide its press release dated February 10, 2021 placed the rating(s) of Neeraj Paper Marketing Limited (NPML) under the 'issuer non-cooperating' category as NPML had failed to provide information for monitoring of the rating. NPML continues to be non-cooperative despite repeated requests for submission of information through e-mails dated December 27, 2021, January 06, 2022, and January 16, 2022. 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.

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

### Detailed description of the key rating drivers

At the time of last rating on February 10, 2021, the following were the rating strengths and weaknesses (updated for the information available from Stock exchange):

### Key Rating Weaknesses

**Decline in scale of operations:** Total operating income of the company declined by 24.39% to Rs.109.09 crore in FY21 (refers to the period from April 01 to March 31) (PY: Rs.144.28 crore) due to company's plant being shut for two months (April-May (2020)) on account of nation-wide lockdown. During 9MFY22 (refers to the period from April 01 to December 31), the total operating income of the company grew by ~28% to Rs.93.79 crore (PY: Rs.73.38 crore).

**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 2.56% (PY: 2.28%) in FY21. However, despite slight improvement in the PBILDT margin, the PAT margin declined to 0.38% (PY: 0.53%) in FY21 due to increase in interest and depreciation cost as a percentage of total operating income in FY21 on account of decline in scale of operations.

**Working capital intensive operations:** The company has working capital intensive operations, as characterized by higher receivable period of 166 days as on March 31, 2021 (PY: 152 days). 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 0.94x as on March 31, 2021 (PY: 0.96x). Further, the debt coverage metrics also remained moderate as reflected by the PBILDT interest coverage ratio of 1.54x (PY: 1.49x) and total debt/GCA of 30.07x (PY: 22.77x) for FY21.

<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

\*Issuer did not co-operate, based on best available information

**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](#)

[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](#)

#### 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)	FY20 (A)	FY21 (A)	9MFY22 (P)
Total operating income	144.28	109.09	93.79
PBILDT	3.29	2.80	2.72
PAT	0.76	0.41	0.98
Overall gearing (times)	0.96	0.94	NA*
Interest coverage (times)	1.49	1.54	2.09

A: Audited, P: Provisional, NA\*: Not available

**Status of non-cooperation with previous CRA:** India Ratings vide P.R. dated March 30, 2022.

**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 for this company:** Annexure 4

#### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	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*

**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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	60.00	CARE B; Stable; ISSUER NOT COOPERATING *	-	-	1)CARE B; Stable; ISSUER NOT COOPERATING * (10-Feb-21)	1)CARE B+; Negative; ISSUER NOT COOPERATING * (22-Nov-19) 2)CARE BB; ISSUER NOT COOPERATING * (22-May-19)
2	Non-fund-based - ST-BG/LC	ST	20.00	CARE A4; ISSUER NOT COOPERATING *	-	-	1)CARE A4; ISSUER NOT COOPERATING * (10-Feb-21)	1)CARE A4; ISSUER NOT COOPERATING * (22-Nov-19) 2)CARE A4; ISSUER NOT COOPERATING * (22-May-19)

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities-** Not applicable**Annexure 4: Complexity level of various instruments rated for this company**

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

**Annexure 5: Bank Lender Details for this Company**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. 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.

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**About CARE Ratings Limited:**

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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