SEPTEMBER 15, 2016

CARE REVISES LT RATINGS ASSIGNED TO BANK FACILITIES AND REAFFIRMS ST RATINGS ASSIGNED TO BANK FACILITIES/INSTRUMENTS OF NILKAMAL LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term fund-based bank limits	236.57 (reduced from 367.85)	**CARE AA [Double A]**	Revised from CARE AA- [Double A Minus]
Short-term non-fund based bank limits	100.00 (reduced from 120.00)	**CARE A1+ [A One Plus]**	Reaffirmed
Total	**336.57 (Rupees Three Hundred Thirty six crore and Fifty seven lakhs only)**		
Commercial Paper (CP) issue*	50.00	**CARE A1+ [A One Plus]**	Reaffirmed
Total	**50.00 (Rupees Fifty crore only)**		

Rating Rationale

The revision in long-term ratings to bank facilities of Nilkamal Limited (NKL) is on account of significant improvement in operational performance leading to healthy financial risk profile and debt coverage indicators during FY16 (refers to period April 01, to March 31). The company continues to enjoy dominant market position in plastic furniture business in India translating into sustainable realizations. In addition to it, the company benefitted from softening of raw material prices (crude derivatives).

By virtue of it, NKL reported significant improvement in profit before interest lease depreciation tax (PBILDT) during FY16. With increasing profit after tax and gross cash accruals, NKL reduced bank borrowings. As a result, company's financial risk profile and debt protection metrics improved.

The ratings continue to derive strength from well-established market position of NKL in moulded plastic industry, reputed brand in plastic material handling & furniture segment and strong distribution network. The strengths are further underpinned by NKL's experienced promoters, strong management team, long standing operational track record and sustained revenue & profitability growth.

The above mentioned rating strengths are however constrained by exposure of volatility of raw material prices, presence of high competition prevalent in moulded plastics industry and lower returns from 'lifestyle, furniture' and 'others' division.

Improvement in operational performance of retail segment business and sustained margins would be the key rating monitorable. Any large debt funded capital expenditure would be key rating sensitivity.

Background

NKL promoted by Mr. Vamanrai V Parekh and Mr. Sharad V Parekh is into manufacturing and marketing of moulded plastic products across India and abroad. The company is also into retailing of readymade furniture

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

and furnishing items. The company has nine manufacturing units spread across different states namely; Tamil Nadu, West Bengal, Jammu & Kashmir, Uttar Pradesh and Maharashtra & Union Territory (Dada & Nagar Haveli). The company has 15 large formats store named @home and on Go To Market (GTM) spread across 12 cities covering a retail space of over 2.46 lakhs sq. ft.

At consolidated level, the company reported Profit After Tax (PAT) of Rs. 115.23 crore on Total Operating Income (TOI) of Rs. 2,003.12 crore in FY16 (refers to the period April 01 to March 31) as compared to PAT of Rs. 51.26 crore on TOI of Rs. 1,897.69 crore in FY15.

At Standalone level, the company reported PAT of Rs. 103.89 crore on TOI of Rs. 1,875.88 crore in FY16 as compared to PAT of Rs. 42.46 crore on TOI of Rs. 1,791.73 crore in FY15.

Further, at standalone level the company reported, PAT of Rs. 31.67 crore on TOI of Rs. 460.66 crore in Q1FY17 (refers to period April 01 to June 30, 2016) as compared to PAT of Rs. 25.53 crore on TOI of Rs. 455.51 crore in Q1FY16.

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

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.

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