CARE Ratings
Professional Risk Opinion

Neeraj Paper Marketing Limited

January 02, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	60.00	**CARE BB+; ISSUER NOT COOPERATING***	**Issuer Not Cooperating; Based on best available information**
Short term Bank Facilities	20.00	**CARE A4+; ISSUER NOT COOPERATING***	**Issuer Not Cooperating; Based on best available information**
Total	**80.00** **(Rs. Eighty crore only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Neeraj Paper Marketing Limited (NPML) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's rating on NPML's bank facilities will now be denoted as **CARE BB+/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.

The ratings of NPML take into account the decline in scale of operations, low profitability margins, highly competitive market with working capital intensive operations. The negatives are partially offset by the established track record of the promoters, strong relationship with its customers and moderate financial risk profile.

The ability of the company to improve the scale of operations along with improvement in profitability margin will remain the key sensitivities in the future.

Detailed description of the key rating drivers

Key Rating Weaknesses

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.

Working capital intensive operations

The company has working capital intensive operations, as characterized by higher receivable period of 90 days as on March 31, 2017. As compared to this, the company gets minimal credit from its suppliers, resulting in higher working capital requirement. Due to the working capital intensive operations, the company has an average working capital utilisation of 93.80% in the last 13 months ended July, 2017.

Industry Outlook

The paper industry plays an important role in development of Indian economy. With increase in demand due to rising literacy level, higher government spending on education and demand from the packaging and manufacturing sector, the industry has strong support for the next few years. However, there have been some changes in the business due to the implementation of GST which might impact the industry in the near future.

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

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.

Established relationship with its customers

The company has leveraged the vast experience of the promoters to establish a strong relationship with its customers. This has also helped the company to reduce its revenue concentration risk which is evident form the fact that in FY17, the dependence on the top 5 customers has reduced from 46% in FY16 to 43% in FY17.

Moderate financial risk profile

The total operating income has declined to Rs. 372.65 cr in FY17 from Rs. 380.97 cr in FY16. However, the profitability margins have remained stable with PBILDT margin at 2.90% in FY17 (PY: 2.86) and PAT margin at 0.20% (PY: 0.18%). The debt to equity ratio has also remained stable at 0.33x as on March 31, 2017 (PY: 0.36x) while the overall gearing ratio has improved to 2.80x as on March 31, 2017 (PY: 3.35).

As per the provisional H1FY18 results, the total operating income is at Rs. 160.25 cr with improvement in the profitability margins. The PBILDT margin stands at 3.09% and PAT margin is at 0.39%.

Analytical approach:

Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology - Wholesale Trading
Financial ratios – Non-Financial Sector

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. The 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)	FY16 (A)	FY17 (A)
Total operating income	380.97	372.65
PBILDT	10.90	10.82
PAT	0.67	0.75
Overall gearing (times)	3.35	2.80
Interest coverage (times)	1.13	1.15

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for 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.*

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**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.

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 BB+; 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	60.00	CARE BB+; ISSUER NOT COOPERATING*	-	1)CARE BB+ (13-Oct-16) 2)Suspended (04-Apr-16)	-	1)CARE BB (09-Jan-15) 2)CARE BB (14-Apr-14)
2.	Non-fund-based - ST-BG/LC	ST	20.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+ (13-Oct-16) 2)Suspended (04-Apr-16)	-	1)CARE A4 (09-Jan-15) 2)CARE A4 (14-Apr-14)

**Issuer did not cooperate; Based on best available information*

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