

Neeraj Paper Marketing Limited

November 22, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	60.00	CARE B+; Negative [ISSUER NOT COOPERATING] (B plus Outlook: Negative [ISSUER NOT COOPERATING: on the basis of best available information])	Revised from CARE BB; ISSUER NOT COOPERATING (Double B; ISSUER NOT COOPERATING: on the basis of best available information)
Short Term Bank Facilities	20.00	CARE A4; ISSUER NOT COOPERATING (A Four; ISSUER NOT COOPERATING: on the basis of best available information)	Reaffirmed
Total facilities	80.00 (Rupees Eighty Crore Only)		

Details of instruments/facilities in Annexure-1
Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Neeraj Paper Marketing Limited** to monitor the rating vide e-mail communications/letters dated November 15, 2019; November 14, 2019 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 has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

The ratings on NPLM's bank facilities will now be denoted as **CARE B+; Negative (ISSUER NOT COOPERATING) / 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 rating(s).

The ratings have been revised on account of decline in profitability margins and deterioration in financial profile as per the financials for quarter ending 30th September 2019.

Detailed description of the key rating drivers

At the time of last rating on 22nd May 2019 the following were the rating strengths and weaknesses (updated for the information available from Bombay stock exchange).

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

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

The company has working capital intensive operations, as characterized by higher receivable period of 109 days as on March 31, 2019. As compared to this, the company gets minimal credit from its suppliers, resulting in higher working capital requirement.

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.

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.

Moderate financial risk profile

The total operating income has declined to Rs. 252.34 crore in FY19 from Rs. 328.87 crore in FY18. However, the profitability margins have declined with PBILDT margin at 2.66% in FY19 (PY: 3.41%). The debt to equity ratio has remained stable at 0.31x as on March 31, 2019 (PY: 0.40x) while the overall gearing ratio declined to 0.86x as on March 31, 2019 (PY: 2.71x).

Liquidity: The operating cycle of the company moderated to 83 days as on March 31, 2019 as compared with 87 days as on March 31, 2018. The collection period has increased to 96 days in FY19 (PY: 90 days) but the Inventory holding period increased to 11 days in FY19 (PY: 8 days).

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](#)

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)	FY 18 (A)	FY 19 (A)
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Total operating income	328.87	252.34
PBILDT	11.22	6.72
PAT	-2.09	0.34
Overall gearing (times)	2.71	0.86
Interest Coverage(times)	1.21	1.33

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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+; Negative; ISSUER NOT COOPERATING* Issuer not cooperating; (Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information)
Non-fund-based - ST-BG/LC	-	-	-	20.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; (Reaffirmed)

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	60.00	CARE B+; Negative ; ISSUER NOT COOPERATING* Issuer not cooperating; (Revised from CARE BB; ISSUER NOT COOPERATING* on the basis of best available information)	-	1) CARE BB; ISSUER NOT COOPERATING* Issuer not cooperating (22-May-19)	1)CARE BB+; ISSUER NOT COOPERATING* (02-Jan-18)	1)CARE BB+ (13-Oct-16) 2)Suspended (04-Apr-16)
2.	Non-fund-based - ST-BG/LC	ST	20.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; (Reaffirmed)	-	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating (22-May-19)	1)CARE A4+; ISSUER NOT COOPERATING* (02-Jan-18)	1)CARE A4+ (13-Oct-16) 2)Suspended (04-Apr-16)

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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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

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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.

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