

# Infomerics Valuation And Rating Pvt. Ltd.

Press Release

## Nextgen Printers Private Limited

September 27, 2018

### Rating

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Term Loan	21.46	IVR BBB- / Stable Outlook (IVR Triple B minus with Stable Outlook)	Assigned
Long Term Bank Facilities – Term Loan	11.84	IVR BBB- / Stable Outlook (IVR Triple B minus with Stable Outlook)	Assigned
Long Term Bank Facilities – Cash Credit	15.20 (including additional proposed limits of Rs.0.20 crore)	IVR BBB- / Stable Outlook (IVR Triple B minus with Stable Outlook)	Assigned
Short Term Bank Facilities – Bank Guarantee	6.50	IVR A3 (IVR A Three)	Assigned
Short Term Bank Facilities – CEL	0.08	IVR A3 (IVR A Three)	Assigned
<b>Total</b>	<b>55.08</b>		

### Details of Facilities are in Annexure 1

### Detailed Rationale

The aforesaid rating derives comfort from its experienced promoters, locational advantage and state of art printing facilities. Growth in operations in FY18 (prov.), established clientele and moderate capital structure and debt protection parameters also support the rating. However, the rating is constrained by modest scale of operations, susceptibility of margins to adverse fluctuations in raw material prices and working capital intensive nature of business. Scale of operations, capital structure and working capital management are the key rating sensitivities.

### List of Key Rating Drivers

- Experienced promoters
- Locational advantage
- State of art printing facilities
- Established clientele albeit customer concentration risk
- Profitable operations

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- Moderate capital structure and debt protection parameters
- Moderate scale of operations
- Margins remains susceptible to adverse fluctuations in raw material prices
- Working capital intensive nature of business

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### **Experienced promoters**

The promoters are well experienced in the field of printing with a track record of about a decade. The company is actively managed by the promoters. Mr. Mahesh Khandelwal, Mr. Rakesh Khandelwal, Mr. Suresh Kumar Agarwal and Mr. Bijay Agarwal are the main promoters of the company. Khandelwal family has prior experience in printing industry for more than three decades.

##### **Locational advantage**

The Sikkim unit of NPPL is in proximity to the local units of various large pharmaceutical companies which ensures logistical advantage for the company. Further, the Howrah unit is also well connected through rail/road to the other parts of the district and Kolkata.

##### **State of art printing facilities**

The company has state of art printing facilities in its both printing locations with modern machines and infrastructures.

##### **Established clientele albeit customer concentration risk**

Over the years of its operation, NPPL has created an established clientele base which includes many reputed pharmaceutical companies. However, top ten customers contribute about 46.85% of its sales in FY18 indicating a customer concentration risk.

##### **Profitable operations**

NPPL registered a y-o-y growth of ~77% in its total operating income in FY18 (Prov.) over FY17, driven by full year operation of its newly commissioned plant in Howrah. The company has maintained a healthy EBIDTA margin of around 19-21% and PAT margin of around 4-11% in the past years. However, the PAT margin has dampened in FY18 due to rise in interest cost attributable to its recently concluded capex (Concluded in Dec, 2016).

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### **Moderate capital structure and debt protection parameters**

The overall gearing was moderate at 1.41x as on March 31, 2018 (Prov.) as compared to 1.35x as on March 31, 2017. Furthermore, the long-term debt-equity ratio also remained moderate at 1.29x as on March 31, 2018 as compared to 1.18x as on March 31, 2017. Further, treating the subordinated debt of Rs.4.70 crore as neither debt nor equity the adjusted debt equity ratio and the adjusted overall gearing ratio remained at 1.06x and 1.29x as on March 31, 2018 (Prov.). However, the interest coverage ratio was comfortable at 2.13x (3.92x in FY17) and the Total debt to GCA (Ex. Sub debt) was high at 8.76x in FY18 (5.58x in FY17).

### **Key Rating Weaknesses**

#### **Moderate scale of operations**

Even though the operating income grew at a Compounded Annual Growth Rate (CAGR) of around 43% over the FY2015–FY2018 period, the company's operating income was modest at Rs.62.03 crore in FY18, indicating limited economies of scale.

#### **Margins remains susceptible to adverse fluctuations in raw material prices**

The major raw materials for NPPL are paper and paper boards, which account for about half of the total raw material cost. The price of paper and paper boards are fluctuating in nature and any adverse fluctuations in prices may impact the profitability of the company.

#### **Working capital intensive nature of business**

The operation of the company is working capital intensive as NPPL needs to hold a sizable inventory of raw materials (Mainly paper/paper boards) to respond to customer demand effectively. Further, the company holds finished stock inventory or WIP inventory mainly to complete the orders at once to avoid damages and wastages. Moreover, final processing of orders took some time to be completed. On the other hand, the company has to extend high credit period to its customers (in the range of 60-90 days) in view of high competition in the operating spectrum and its low bargaining power against its customers. The operating cycle of the company remained moderate at around 83-94 days in the past three years. The average working capital limit utilisation remained high during the past 12 months ended in July, 2018.

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### Analytical Approach & Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### About the Company

Nextgen Printers Pvt Ltd. (NPPL) was incorporated in 2007 by Kolkata based two business families Agrawal and Khandelwal family. The company started its commercial operation since 2010 and is involved in printing of paperboard packaging. NPPL carries out printing and post printing activities and manufactures printed cartons (Mono cartons, Fluted Cartons, Fluted Cartons etc.), Window Patched Boxes, Blister Cards, Hard Boxes, Inserts and Labels, etc. The printing and packaging are mainly done for the pharmaceutical industry. Apart from these, the company also caters to other industries like fast moving consumer goods (FMCG), hosiery, tea, cosmetic industries etc. The company has its printing facilities located in Majhitar, near Rangpo in East Sikkim and Howrah District of West Bengal.

### Financials (Standalone):

	<b>(Rs. crore)</b>	
<b>For the year ended* / As On</b>	<b>31-03-2016</b>	<b>31-03-2017</b>
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	22.66	34.81
EBITDA	4.23	6.07
PAT	1.42	3.94
Total Debt	42.48	51.81
Tangible Net worth	32.19	38.47
EBITDA Margin (%)	18.65	17.43
PAT Margin (%)	6.23	11.28
Overall Gearing Ratio (x)	1.32	1.35

\*Classification as per Infomerics' standards.

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**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Term Loan	Long Term	21.46	IVR BBB- / Stable Outlook	-	-	-
2.	Long Term Bank Facilities – Term Loan	Long Term	11.84	IVR BBB- / Stable Outlook	-	-	-
3.	Long Term Bank Facilities – Cash Credit	Long Term	15.20 (including additional proposed limits of Rs.0.20 crore)	IVR BBB- / Stable Outlook			
4.	Short Term Non Fund Based Limits – Bank Guarantee	Short Term	6.50	IVR A3	-	-	-
5.	Short Term Non Fund Based Limits – CEL	Short Term	0.08	IVR A3	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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## Infomerics Valuation And Rating Pvt. Ltd.

### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	Quarterly instalments ending on January 2023	21.46	IVR BBB- / Stable Outlook
Long Term Bank Facilities – Term Loan	-	-	Quarterly instalments ending on March 2024	11.84	IVR BBB- / Stable Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	15.20 (including additional proposed limits of Rs.0.20 crore)	IVR BBB- / Stable Outlook
Short Term Bank Facilities – Bank Guarantee	-	-	-	6.50	IVR A3
Short Term Bank Facilities – CEL	-	-	-	0.08	IVR A3