

## Rating Rationale

### Brickwork Ratings assigns ‘BWR BB-’ & ‘BWR A4’ Ratings for Bank Loan Facilities aggregating ₹9.92 Cr of Andhra Pradesh Fibers Ltd.

Brickwork Ratings has assigned the following **Ratings<sup>1</sup>** for Bank Loan facilities of Andhra Pradesh Fibers Ltd (*APFL or the ‘Company’*).

Facilities	Sanctioned Limits(₹ Cr)	Tenure	Rating
<b>Cash Credit</b> (Fund Based)	<b>7.00</b>	<b>Long Term</b>	<b>BWR BB-</b> (Pronounced BWR Double B Minus)  <b>(Outlook Stable)</b>
<b>Term Loan</b> (Fund Based)	<b>0.92</b>		
<b>LC</b> (Non-Fund Based)	<b>2.00</b>	<b>Short Term</b>	<b>BWR A4</b> (Pronounced BWR A Four)
<b>Total</b>	<b>9.92</b>	<b>INR Nine Crores &amp; Ninety Two Lakhs only</b>	

BWR has essentially relied upon the audited financial results of Andhra Pradesh Fibers Ltd up to FY13 & FY14, projections for FY16, FY17 and information/clarifications provided by the Company.

The rating has factored, inter alia, long existence of the Company in the industry, experience of promoters, established relationships with customers like (A.P. State gov., Odisha state gov.) and mostly providing employment to Scheduled Castes, Scheduled Tribes and Backward Classes besides economically weaker sections.

However, the rating is constrained by decline in sales on account of low production due to Samaikya Andhra – Telangana Agitation, Negative profit due to increase in raw material price, labour cost and fuel expenses. The ratings also financially constrained by high leverage and decline in coverage ratios.

#### Background:

A.P. Industrial Development Corporation, Hyderabad, a State Government undertaking promoted M/s **A.P. Fibres Ltd**, Salur during the year 1972 as its subsidiary for setting up of a jute mill at Salur for manufacturing of jute sackings. The State Government converted the subsidiary into a joint venture (50: 50 partnership) unit of APIDC with Sri K.K. Bajoria of M/s Chittivalasa Jute Mills. The unit went into commercial production from December 1986.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

The unit has been conceived by the Government of Andhra Pradesh in pursuit of development of State Industrially.

In 2001 the shareholding JV of APIDC was withdrawn and the company became public limited under other directors.

The Company has been supplying B-Twill **Jute Bags** (B.I.S. Mark) for packing 50 Kgs food-grains to the Government Agencies as per the Allocation / Supply Orders of the Jute Commissioner / Director General of Supplies and Disposals, Government of India.

APFL manufactures jute products, mainly jute twine yarns and jute bags with an installed capacity of 5,558 metric tons per annum (MTPA) and 8,660 MTPA, respectively.

**Financial Performance:**

Revenue from operation decreased marginally from ₹46.75 Cr in FY13 to ₹45.26 Cr in FY14. Company has reported profitability with operating profit margin of 1.86 per cent and net profit margin of (3.20) per cent for FY14. The Company has debt equity of 2.46 times in FY14. The tangible net-worth stood at ₹7.60 Cr for FY14.

**Rating Outlook:**

The outlook of the company for the next one year is expected to be stable .The rating reflects the position of the Company in the manufacturing segment of the industry it caters to. Going forward, ability of the Company to achieve sustainable and higher turnover, improve profitability margins and ability to improve the capital structure by infusing the fund will be the key rating sensitivities.

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