



Rating Rationale

Disha Industries Pvt Ltd.

9 Aug 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹ 27.83Cr of Disha Industries Pvt Ltd.(DIL or Company)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (June, 2015)	Present
Cash Credit	12.50	12.50	Long Term	BWR D (Pronounced as BWR D) Downgraded	BWR B Outlook: Stable (Pronounced BWR Single B) Upgraded
Term Loan	13.37	10.33			BWR A4 (BWR A Four) Upgraded
ILC/FLC	5.00	5.00	Short Term		
Total	30.87	27.83	INR Twenty Seven Crores and Eighty Three Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial statements for FY17, provisional for FY18, projected FY19, Publicly available information and information/clarification provided by the company and management.

The rating has factored, inter alia, the strength related to promoters' experience in Paper industry, moderate scale of operations with increased revenue, satisfactory interest coverage ratio, and moderate net worth. However rating is constrained by high gearing, negative debt service coverage ratio, reduced profit margins, highly competitive and fragmented nature of industry and information risk.

Description of Key Rating Drivers

Credit Strengths:

Promoters experience is about 3 decades. Revenue increased from Rs 95.11 Crs in FY17 with increase in production capacity to Rs 142.01 Crs in FY18 provisional, Interest coverage indicator is at 2.19 times in FY18, net worth is Rs 18.20 Crs in FY18.



Credit Risks:

Overall Gearing is at 3.80 times as at 31.3.2018, debt coverage ratio is 0.94 X in Fy18, net profit margin is reduced from 0.62% in FY17 to 0.49% in FY18, operating profit margin is reduced from 10.01% in Fy17 to 6.35% in FY18

Rating Outlook: Stable

BWR believes the **Disha Industries Pvt Ltd** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

About the Company

Disha Industries Pvt Ltd incorporated on 4 th December 1995 is promoted by Mr. Ajay Paliwal and Mr. Suraj Prakash who have over two decades of experience in paper industry. The Company is engaged in manufacturing of Kraft paper ranging from 16BF to 30 BF (Burst factor and 120 GSM to 300 GSM (Grams per square meter) using indigenous and imported waste paper. Its manufacturing facility is located in Muzaffarnagar, Uttar Pradesh and it has an installed capacity of producing 300 TPD. Ajay Kumar Paliwal, Akash Kumar, Karan Swarup, Gaurav Swarup are the directors of the Company.

Company Financial Performance

In FY17, company has achieved net sales of Rs 95.11 Crs against Rs 104.01 Crs in FY16. The operating profit margin stood at 10.01 percent and net profit margin at 0.62 percent for FY17. The company has debt equity of 2.09 times in FY17. The tangible net-worth stood at Rs 17.51 Crs for FY17. As per the provisional FY18 the firm has achieved sales of Rs 142.01 Crs and PAT of Rs 0.69 Crs.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Provisional	Audited
Operating Revenue	Rs in Crs	142.01	95.11
EBITDA	Rs in Crs	9.01	9.52
PAT	Rs in Crs	0.69	0.59
Tangible Net worth	Rs in Crs	18.20	17.51
Total Debt/Tangible Net worth	Times	3.90	2.09
Current Ratio	Times	1.33	1.07

Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	15.1.2018	29.12.2016	24.6. 2015
	Fund Based	Long Term	22.83	BWR B (Pronounced as BWR single B Outlook: stable Upgraded	BWR D (BWR Pronounced as D)	Not Reviewed	BWR B+ (Pronounced as BWR single B Plus
	Non Fund Based	Short Term	5.00	BWR A4(Pronounced as BWR A Four) Upgraded			BWR A4 (Pronounced as BWR A Four)
	Total		27.83	INR Twenty Seven Crores and Eighty Three Lakhs Only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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