

## Rating Rationale

### Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for Bank Loan Facilities aggregating ₹ 44.72 Cr of Disha Industries Limited.

Brickwork Ratings has assigned following **Ratings**<sup>1</sup> for Bank Loan facilities of Disha Industries Limited (*DIL or The Company*).

Facility	Limits (Rs. Cr)	Tenure	Rating
<b>Fund Based</b>			
Cash Credit	12.50	Long Term	<b>BWR B+</b> (Pronounced as BWR Single B Plus) Outlook: Stable
Term Loan	27.22		
<b>Non Fund Based</b>			
ILC/FLC	5.00	Short Term	<b>BWR A4</b> (Pronounced as BWR A Four)
<b>Total</b>	<b>44.72</b>	<b>INR Forty Four Crores and Seventy Two Lakhs Only</b>	

BWR has principally relied upon the audited financial statements for FY14, provisional financials FY15 which is not authenticated and certified by Chartered accountant, Publicly available information and information/clarification provided by the company's management.

The rating has factored, inter alia, the strength related to promoters' experience in Paper industry, modest scale of operations and cent percent plant capacity utilization levels as reported by the client and improvement in revenues

However rating is constrained by highly competitive and fragmented nature of paper manufacturing, forex price risk in the absence of foreign currency hedging policy. The rating continues to constrain by Company's financial risk profile marked by high gearing, weak debt protection indicators, negative net profit margin, eroding net worth, occasional delays in servicing debt and weak return on capital

#### Background:

Disha Industries Ltd incorporated on 4<sup>th</sup> December 1995 is promoted by Mr. Ajay Paliwal and Mr. Suraj Prakash who have over two decades of experience in paper industry.

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

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 43,200 Mt. Tons per annum and commercial operation commenced in February 2013. Ajay Kumar Paliwal, Akash Kumar, Karan Swarup, Gaurav Swarup are the directors of the Company.

### Financial Performance:

As per the audited financial statement, the company's total operating income increased from Rs.3.06 Cr in FY13 to 42.48 Cr in FY14 due to increase in utilization capacities. OPBDIT increased from Rs.0.15 Cr in FY13 to 6.40 Cr in FY14. However net losses were increased in FY14 due to increase in interest costs. Tangible net worth of the Company Stood at Rs.15.66 Cr as on 31<sup>st</sup> March, 2014. Company's Debt-to-Equity is 2.91 times and Current Ratio is 0.88 times in FY14.

As per unaudited financials of FY15 which is not authenticated and certified by the chartered accountant, the Company reportedly achieved a total operating income of Rs.98.61 Crores and a PAT of 0.04 Crores. The company informs that the tangible net worth Stood at Rs.16.81 Crores as on 31<sup>st</sup> March, 2015

### Rating Outlook:

The outlook of the company for the next year is expected to be stable. Going forward, sustainable revenue growth, improving profitability, reducing costs and effectively managing working capital, improving gearing and debt protection level and prompt servicing of debt would be the key rating sensitivities.

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