

Rating Rationale

Brickwork Ratings assigns ‘BWR BB’ for the Bank Loan facilities aggregating ₹ 40.27 Cr of Kajah Enterprises Private Limited.

Brickwork Ratings(BWR) has assigned the following **Ratings¹** for the Bank Loan facilities amounting to ₹ 40.27 Cr of Kajah Enterprises Private Limited (KEPL or the Company).

Facilities Fund Based Limits	Limits (₹Cr)	Tenure	Rating
OCC	31.50	Long Term	BWR BB (Pronounced as BWR Double B) (Outlook: Stable)
WCDL	6.00		
Term Loans*	2.77		
Total	40.27	INR Forty Crores and Twenty Seven lakhs only	

*Term Loans O/S as on 25/05/2015

The rating assigned by BWR is based on the audited financials of FY14, certified provisional of FY15 and information/clarification provided by the Company’s Management.

The ratings assigned to the bank facilities of Kajah Enterprises Private Limited is primarily constrained by negative net profit margin and reduced operating profit margin ,working capital intensive nature of operations, highly leveraged capital structure and weak debt coverage indicators, potential risk associated with the tobacco industry including consumption and advertisement, intense competition from other market players .

The rating however continues to draw strength from promoters’ long standing presence in the beedi manufacturing business for over seven decades, with established market position in South India, established distribution network, established market presence and the brand image of “Kajah Beedi” coupled with, group Support.(Rajah Group)

Company Profile:

Kajah Enterprises Private Limited is established in 2004 at Tirunelveli , Tamilnadu. It is associated with the diversified business divisions like beedi (Kajah Beedi), hospitality (Rajah Beach& Rajah Island), Activated carbon and Rajah green farm.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The Company is manufacturing and selling beedis under brand name of – ‘Kajah Beedi. It is slim, hand-rolled, unfiltered tobacco product. The Production of Beedis is 1.25 Crores sticks per day. Tobacco is directly procured from the farmers of Nipani (Karnataka) and Gujarat and Tendu leaf is procured from five different states viz; Andhra Pradesh, Maharashtra, Madhya Pradesh, Chhattisgarh and Orissa.

Rajah Island is a Green leaf certified hospital situated in Chettuva back waters near Guruvayur . It is facility to give treatments for specific illness as well as rejuvenation. Rajah Beach is situated in Akalad, Thrissur Dt. Kerala in 35 acre land. It is Kerala's First and India's third NABH accredited Ayurvedic Hospital. It is offering Ayurveda therapy and Ayurvedic rejuvenation packages.

Kajah Activated Carbon is a producer and exporter of coconut shell based activated carbon. The manufacturing facility of Kajah Activated Carbon is situated near Madurai in Tamil Nadu. With an installed capacity of 2000 MT per annum. The Application of various grades of coconut-based activated carbon is used for Drinking water treatment, Ground water remediation, Pharmaceutical purification, Chemical purification and Food purification and decolourisation.

Rajah Green Farm is a cattle farm and its having Milch Cows situated in near Vallanad, Tuticorin Dist.

Rajah Group was established by A. Abdul Kader Sahib in the year 1935. The group diversified into the businesses like , Terracotta tiles, Ayurveda, Automobiles, Tea, Salt, tourism-related, Agricultural Products, Logistics, Tiles, Community Centres, Timber/Furniture, Education, Rubber /Tobacco, Fuel Outlet, Goat & Emu Farming, Pain Balm & Oil, Restaurant, Soft Drinks, Food Products, Motorsports.

Management:

Sri.A Abdul Rafeeq is the Managing Director and Sri.A Abdul Azees Joint Managing Director , Sri.A Abdul Rahiman Sahib , Sri.A Abdul Salam , Sri.A Abdul Rasheed , Sri.A Abdul Hazeeb , Sri.A Abdul Shafeeq, Sri.A Abdul Rawuf , Sri.A Abdul Zuhin, Sri.A Anwar Hussain , Sri. K Abdul Gafoor, Sri.A Abdul Azim, are the directors of the company. All directors of the company are well experienced.

Financial Performance:

Company has reported total Operating Income of Rs.212.35 crore with a negative net profit of Rs.1.69 crore in FY14, as against total Operating Income of Rs.193.94 crore with a net profit of Rs.1.04 crore in FY13. Debt -Equity ratio stood at a high level of 7.74 times and Current ratio of 1.66 times for FY14. Company recorded the negative net profit margin of (0.79%) and Operating profit margin of 6.91% for FY14. Tangible Networth Stood at Rs.12.93 crore as on Mar 31, 2014.

As per certified provisional financials of FY15, Company achieved Total Operating Income of Rs.201.63 crores with a PAT of Rs.0.35 Crores

Rating Outlook:

The outlook for the Company for the next one year is expected to be stable. Going forward, the ability of the Company to improve its revenues and improve its profitability in all divisions are key to the prospects of the company, to strengthen its capital structure, to improve its debt protection metrics, are the key rating sensitivities.

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