

## RATING RATIONALE

17 Dec 2019

### Seven Hills Papers Pvt. Ltd.

**Brickwork Ratings downgrades the ratings for the Bank Loan Facilities of ₹. 9.83 Crores of Seven Hills Papers Pvt. Ltd.**

#### Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Oct, 2018)	Present
Fund Based	11.06	9.83	Long Term	BWR B-/Stable	<b>BWR D (Downgrade)</b>
<b>Total</b>	<b>11.06</b>	<b>9.83</b>	<b>INR Nine Crore and Eighty Three Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I

#### RATING ACTION

The present rating downgrading has factored inability of the Company to honour their debt obligations as per the agreed time frame with their lenders.

#### KEY RATING DRIVERS

##### Credit Strengths:

- Established track record in the business as the company is active since 1991
- The management has over two decades of experience in the packaging industry

##### Credit Risks:

- The company has ongoing delays in servicing of their debt obligations.
- The company's scale of operations is small as indicated by total operating income of Rs. 20.80 Crs in FY18 and Rs.17.94 Crs in FY19 looking to years of existence and size of the market
- The company has low capital structure marked by high gearing as the debt to equity ratio stood at 3.58 times and total outside liabilities to tangible net worth at 2.02 times as on 31.03.2019 with DSCR at 0.89 times in FY19. The total debt of Rs. 20.31 crores includes unsecured loan from directors and shareholders to the tune of Rs.9.33 crores.
- The profitability of the company is susceptible to the volatility in raw material prices which results in low profitability further impacting overall debt protection metrics.



## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of **Seven Hills Pvt. Ltd.** BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

## RATING SENSITIVITIES

The ability of the company to ensure regular servicing of debt, increase its scale of operations, improve its capital structure, coverage ratios, profitability and efficiently manage its working capital cycle would be its key rating sensitivity.

**Positive:** The ratings may be upgraded in case company maintains a track record of timely servicing of debt and demonstrate significant improvement in their revenue, profitability, liquidity and capital structure

## LIQUIDITY POSITION

The company looks having comfortable liquidity profile mainly on account of high inventory. The company had cash and cash equivalents stood at Rs. 0.15 Crs as on Mar 31, 2019.

## COMPANY PROFILE

Seven Hills Papers Private Limited (SHPPL) is an Andhra Pradesh based company incorporated in 1991. Mr. P.P.Raghava Rao is the managing director . Mr. P V K Kiran, Ms. P V Laxmi and Ms. Sindhura are the directors. SHPPL is engaged in manufacturing of various types of paper boards used in packing industry. It manufactures color board, Kraft boards, file boards, etc.

## KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Net Sales	Rs In Crores	20.80	17.94
EBITDA	Rs In Crores	2.75	2.67
PAT	Rs In Crores	0.16	0.20
Tangible Net-worth	Rs In Crores	7.45	5.67
Total Debt/Tangible Net-worth	In Times	2.51	3.58
Current Ratio	In Times	1.60	1.66

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA**

## RATING HISTORY

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	14.10.2019	11.10.2018	29.3.2018
Fund Based	Long Term	9.83	<b>BWR D (Downgrade)</b>	Rating Not Reviewed	BWR B-/Stable	BWR D
<b>Total</b>		<b>9.83</b>	<b>INR Nine Crore and Eighty Three Lakhs Only</b>			

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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**Seven Hills Papers Pvt. Ltd.  
ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Andhra Bank	Open Cash Credit	3.50	-	3.50
2		Working Capital Term Loan	5.00	-	5.00
3		Term Loans	1.18	-	1.33
<b>TOTAL</b>					<b>9.83</b>

**Total Rupees Nine Crore and Eighty Three Lakhs only.**

**Note: Term Loans - Outstanding amount as on 5.12.2019**

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