

## Rating Rationale

### Brickwork Ratings assigns ratings for the Bank Loan facilities aggregating ₹ 15 Cr of Shailja Papers Ltd

Brickwork Ratings has assigned the following **Ratings<sup>1</sup>** for the Bank Loan facilities availed by Shailja Papers Ltd. ('SPL' or the 'Company'):-

Facility		Tenure	Present Limits(Rs In Crs)	Amount to be Rated(Rs in Crs)	Rating Assigned
Fund Based	Cash Credit	Long Term	10.00	10.00	<b>BWR BB (Pronounced as BWR Double B) Outlook: Stable</b>
	Sales Bill Discounting	Short Term	2.50	2.50	
	Sales Bill Discounting(Proposed)		0.50	0.50	
Non Fund Based	ILC/FLC/Buyers Credit		2.00	2.00	<b>BWR A4+ (Pronounced as BWR Single A Four Plus)</b>
<b>Total(INR Fifteen Crore Only)</b>			<b>15.00</b>	<b>15.00</b>	

BWR has essentially relied upon the audited financial statements for upto FY15, provisional for FY16 and projections for FY17, publicly available information and information/clarifications provided by the management.

The rating has, inter alia, factored in the promoters' extensive experience in similar line of business, substantial increase in profit margins, declining gearing ratio, comfortable debt protection metrics and large customer base. However, the rating is constrained by declined scale of operations, increased conversion cycle on account of increased receivable days and stretched liquidity.

#### Background:

Shailja Papers Limited(SPL) is a family managed business, incorporated in May 2005 having its registered office located at Karol Bagh, New Delhi. The company has two branches apart from registered office located at Chawri Bazar, New Delhi and Mumbai which are also taking orders from clients. The company is authorized distributor of various domestic and international paper mills and supplies paper/boards to various publishing houses, lottery printers, newspaper printers, stationery manufacturers, paper converters, banks, government dept and others. The company is distributing three kind of papers including Wood based, Agro Based and Recycled Based distributed volume wise from highest to lowest in chronological order respectively.

The company is supplying paper/boards equally in two ways -

- 1) Distributing/Trading of variety of papers/boards to its customers through orders.
- 2) Directly supplying papers from mills to its customers on commission basis.

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

### Ownership and Management:

The company is promoted by Mehta Family. Mr. Dharmesh Mehta(Managing Director) is a graduate by education,equally supported by his brother Mr. Chetan Mehta (Director) and by his father,Mr. RK Mehta(Director).Both the brothers have an experience of more than 2 decades in similar line of business.

### Financial Performance:

The company reported Total operating Income of Rs. 81.82 Crores in FY15, as against Rs. 72.55 Crores in FY 14, showing increment of more than ~ 12%, with a net profit of Rs. 1.49Cr in FY15, as against net profit of Rs. 0.53 Cr in FY 14. The Operating Profit Margins stood at 2.44% in FY15 as against 2.56% in FY14. The company has achieved TOI of 78.68 Crores with net profit of 1.68 Crores,Tangible Networth of 8.49 Crores,debt equity of 2.95x and current ratio of 1.23x for FY16 on provisional basis.

### Rating Outlook:

The Rating outlook is expected to be stable in near term. Going forward, the ability of the firm to increase its scale of operations by achieving projected financial indicators,improve its liquidity and manage conversion cycle would be the key rating sensitivities.

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