

## Rating Report

### Brickwork Ratings assigns the ratings 'BWR BB' and 'BWR A4' for the Bank Loan facilities aggregating to ₹10.28 Crores of Ajay Paper Mill.

Brickwork Ratings (BWR) has assigned the following **Ratings<sup>1</sup>** for Bank Loan facilities of ₹ 10.28 Crs of Ajay Paper Mill (the 'Firm')

Facilities	Limits (₹ in Crs)	Tenure	Rating
<b>Fund Based</b>			
Cash Credit	<b>8.00</b>	<b>Long Term</b>	<b>BWR BB (BWR Double B) Outlook:Stable</b>
Term Loan*	<b>0.28</b>		
<b>Non-Fund Based</b>			
ILC/FLC	<b>2.00</b>	<b>Short Term</b>	<b>BWR A4 (BWR A Four)</b>
<b>Total</b>	<b>10.28</b>	<b>INR Ten Crores and Twenty Eight Lakhs Only</b>	

\* Term loan o/s amount as on Jan 25, 2016

BWR has essentially relied upon the audited financial statements up to FY15, projected financials up to FY18, publicly available information and information /clarifications provided by the management.

The rating has factored, inter alia, the longstanding experience of promoter in the paper industry, consistent growth in sales over last 3 years, low gearing level, moderate ROCE (return on capital employed) and comfortable debt protection metrics. However, the rating is constrained by inherent weakness of partnership constitution which enables capital withdrawal by partners, elongated working capital cycle due to high inventory days, volatility in raw material prices and stiff competition from other organized and unorganized players in the industry.

#### Background:

Ajay Paper Mill was established as a partnership concern in 2008 and operations were started in 2010. The firm's manufacturing unit and registered office is located in Coimbatore, Tamil Nadu. The firm is into manufacturing of Industrial grade Kraft Paper (100 % recycled) called as Industrial Packaging or Paper board used for all types of packaging boxes, paper grocery bags or multi call sacks. The firm uses mainly recycled/waste paper boxes as raw material which is purchased from domestic markets or small vendors. Manufacturing process consists of stock inlet, wire part, de-watering process, drying process, size press coating, calendaring and reel process.

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

### Management Profile:

The firm is managed by the couple Mr. S. Palaniappan and Ms. P. L. Seetha Lakshmi holding 60% and 40 % of share in the firm. Mr. S. Palaniappan (Managing Partner) has more than two decades of experience in manufacturing of Paper carton boxes and Kraft Paper.

### Financial Performance:

The total operating income of the firm has increased to ₹ 53.07 Crs in FY15 from ₹ 44.85 Crs in FY14 due to improved capacity utilization levels. Net Profit has increased to ₹ 0.99 Cr in FY15 from ₹ 0.79 Cr in FY14. In FY15 operating and net profitability margins stood at 5.65 % and 1.87 % respectively. As on 31<sup>st</sup> March 2015, Tangible net worth and Debt equity of the firm was at ₹ 10.45 Crs and 0.97X.

Details of financial statements have been enclosed in Annexure I & II.

### Rating Outlook:

The rating outlook of the firm is expected to be stable over the year. Going forward, firm's ability to increase its revenue & profitability, to further strengthen the capital structure and efficiently manage its working capital will remain the key rating sensitivities.

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**Ajay Paper Mill**  
**Annexure I: Balance Sheet**

₹ in Crores	FY13	FY14	FY15
<b>Result Type</b>	Audited	Audited	Audited
<b>Liabilities</b>			
<b>CAPITAL AND RESERVES</b>	<b>8.31</b>	<b>9.21</b>	<b>10.45</b>
Capital	7.69	8.43	9.46
Reserves and Surplus	0.62	0.79	0.99
<b>Non-current liabilities</b>	<b>7.89</b>	<b>7.83</b>	<b>2.05</b>
Long-Term Borrowings	7.89	7.83	2.05
<b>Current liabilities</b>	<b>0.08</b>	<b>0.13</b>	<b>8.47</b>
Short-Term Borrowings	0.00	0.00	8.13
Trade Payables	0.08	0.13	0.34
<b>Total Liabilities</b>	<b>16.28</b>	<b>17.18</b>	<b>20.97</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>6.64</b>	<b>5.97</b>	<b>5.34</b>
Net Fixed assets	6.64	5.97	5.34
<b>Current assets</b>	<b>9.64</b>	<b>11.21</b>	<b>15.62</b>
Inventories	2.17	3.96	6.73
Trade Receivables < Six Months	7.21	6.92	7.90
Cash and Cash Equivalentents	0.08	0.13	0.34
Short-Term Loans and Advances	0.17	0.20	0.65
<b>Total Assets</b>	<b>16.28</b>	<b>17.18</b>	<b>20.97</b>

**Ajay Paper Mill**  
**Annexure II: Profit and Loss**

₹ in Crores	FY13	FY14	FY15
<b>Result Type</b>	Audited	Audited	Audited
<b>Net Sales</b>	<b>39.32</b>	<b>44.85</b>	<b>53.07</b>
Other Operating Income	0.00	0.00	0.00
<b>Total Operating Income</b>	<b>39.32</b>	<b>44.85</b>	<b>53.07</b>
<b>Operating Expenses</b>	<b>36.56</b>	<b>42.25</b>	<b>50.07</b>
<b>OPBDIT</b>	<b>2.76</b>	<b>2.60</b>	<b>3.00</b>
Depreciation/Amortization/Impairment	0.82	0.68	0.62
<b>OPBIT</b>	<b>1.94</b>	<b>1.92</b>	<b>2.37</b>
Interest and Finance Charges	1.32	1.13	1.38
<b>OPBT</b>	<b>0.62</b>	<b>0.79</b>	<b>0.99</b>
Non-Operating Income(Expenses)	0.00	0.00	0.00
<b>PBT</b>	<b>0.62</b>	<b>0.79</b>	<b>0.99</b>
Provision for Taxes	0.00	0.00	0.00
<b>PAT</b>	<b>0.62</b>	<b>0.79</b>	<b>0.99</b>