

Rating Report

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

Brickwork Ratings has assigned following **Ratings**¹ for Bank Loan facilities of Disha Industries Limited (*DIL or The company*).

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

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 networth, occasional delays in servicing debt and weak return on capital

Background:

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

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

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 Crores in FY13 to 42.48 Crores in FY14 due to increase in utilization capacities. OPBDIT increased from Rs.0.15 Crores in FY13 to 6.40 Crores in FY14. However net losses were increased in FY14 due to increase in interest costs. Tangible networth of the Company Stood at Rs.15.66 Crores as on 31st 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 networth Stood at Rs.16.81 Crores as on 31st 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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Annexure-I

Profit and Loss Account			
Crores	31/Mar/2012	31/Mar/2013	31/Mar/2014
Result Type	Audited	Audited	Audited
Net Sales	0.00	3.06	42.48
Other Operating Income	0.00	0.00	0.00
Total Operating Income	0.00	3.06	42.48
Operating Expenses	0.00	2.92	36.08
OPBDIT	0.00	0.15	6.40
Depreciation/Amortization/Impairment	0.00	0.87	7.16
OPBIT	-0.01	-0.72	-0.76
Interest and Finance Charges	0.00	0.77	6.22
OPBT	-0.01	-1.50	-6.98
Non Operating Income(Expenses)	0.00	0.02	-0.18
PBT	-0.01	-1.47	-7.16
Provision for Taxes	0.00	-0.46	-2.21
PAT	-0.01	-1.02	-4.95

Annexure-II

Balance Sheet			
Crores	31/Mar/2012	31/Mar/2013	31/Mar/2014
Result Type	Audited	Audited	Audited
Liabilities			
EQUITY AND RESERVES	10.42	22.71	15.66
Share capital	0.99	0.99	2.21
Share Application money Pending allotment	0.97	14.27	0.00
Reserves and Surplus	8.47	7.45	13.45
Non-current liabilities	16.46	35.29	32.98
Long-Term Borrowings	16.46	35.29	32.98
Current liabilities	0.47	12.15	20.27
Short-Term Borrowings	0.00	7.40	12.63
Trade Payables	0.31	4.13	3.60
Other Current Liabilities	0.12	0.59	3.96
Short-Term Provisions	0.03	0.03	0.08
Total Liabilities	27.35	70.15	68.91
ASSETS			
Non-current assets	15.08	60.70	51.13
Net Fixed assets	13.42	53.92	47.17
Capital Work-In-Progress	1.65	0.00	0.00
Deferred Tax Assets (Net)	0.00	0.46	2.67
Long Term Loans and Advances	0.00	6.32	1.30
Current assets	12.28	9.44	17.78
Inventories	0.00	5.31	9.14
Trade Receivables < Six Months	0.00	2.01	2.98
Cash and Cash Equivalents	1.52	0.44	1.54
Short-Term Loans and Advances	10.76	0.49	2.08
Other Current Assets	0.00	1.19	1.61
Total Assets	27.35	70.15	68.91