

August 20, 2014

| Facilities            | Amount (Rs. Crore) | Ratings                           |
|-----------------------|--------------------|-----------------------------------|
| <b>Cash Credit*</b>   | <b>10.00</b>       | <b>SMERA B+/Stable (Assigned)</b> |
| <b>Term Loan</b>      | <b>8.77</b>        | <b>SMERA B+/Stable (Assigned)</b> |
| <b>Bank Guarantee</b> | <b>0.53</b>        | <b>SMERA A4 (Assigned)</b>        |

*\*Includes inland letter of credit and foreign letter of credit as sublimit to the extent of Rs.6.00 crore*

SMERA has assigned ratings of '**SMERA B+**' (**read as SMERA single B plus**) and '**SMERA A4**' (**read as SMERA A four**) to the abovementioned bank facilities of Ashapura Paper Mills Private Limited (APMPL). The outlook is '**Stable**'. The ratings are constrained by the company's limited track record of operations amidst intense competition in the paper industry. The ratings are also constrained by the company's exposure to sector concentration risk. The ratings factor in risks related to the company's below-average financial risk profile. The ratings also factor in the susceptibility of the company's profit margins to volatility in raw material prices. However, the ratings are supported by the company's experienced management. The ratings also draw comfort from the synergistic benefits derived by the company from its associate entity.

APMPL, incorporated in 2010, is a Bhuj-based company engaged in manufacturing of kraft paper used in corrugated boxes. APMPL commenced commercial operations in November 2011. The company faces intense competition from several players in the unorganized sector of the paper industry. APMPL is exposed to sector concentration risk arising from high dependence on a single segment viz. corrugated boxes.

The company's below-average financial risk profile is marked by high leverage of 2.09 times (provisional) as on March 31, 2014 and interest coverage ratio of 1.55 times (provisional) in FY2013-14 (refers to financial year, April 01 to March 31). APMPL's profit margins are highly susceptible to volatility in raw material prices. The company's operating profit margin (OPBDIT margin) declined from 9.91 per cent in FY2012-13 to 6.67 per cent (provisional) in FY2013-14.

APMPL benefits from its experienced management. Mr. Manoj Agrawal, director of APMPL, has around 25 years of experience in the paper industry. The company derives synergistic benefits from its associate entity, Kushal Tradelink Limited, which is the flagship company of the group.

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### Outlook: Stable

SMERA believes APMPL will maintain a stable business risk profile over the medium term. The company will continue to derive benefits from its experienced management. The outlook may be revised to 'Positive' in case the company scales up its operations while improving profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's profit margins or financial risk profile.

### About the company

APMPL, incorporated in 2010, is a Bhuj-based company promoted by Mr. Manoj Agrawal, Mrs. Sangita Agrawal and Mrs. Namrata Agrawal. APMPL is engaged in manufacturing of kraft paper (80-120 grammage per square meter, with bust factor in the range of 16-24). The company commenced commercial operations in November 2011. APMPL has installed manufacturing capacity of ~100 tonnes per day.

For FY2012-13, APMPL reported profit after tax (PAT) of Rs.0.74 crore on operating income of Rs.53.39 crore, as compared with net loss of Rs.0.54 crore on operating income of Rs.13.61 crore for FY2011-12. For FY2013-14 (as per provisional financial statements), the company reported PAT of Rs.0.69 crore on operating income of Rs.69.17 crore. APMPL's net worth stood at Rs.8.56 crore (provisional) as on March 31, 2014, as compared with Rs.5.37 crore a year earlier.

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