

### Shri Pariyur Amman Kraft Papers Private Limited: Reaffirmed

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	7.00	SMERA B/Stable (Reaffirmed)
Term Loan	0.90	SMERA B/Stable (Reaffirmed)

SMERA has reaffirmed the rating of '**SMERA B**' (**read as SMERA B**) on the abovementioned bank facilities of Shri Pariyur Amman Kraft Papers Private Limited (Pariyur Amman). The outlook is '**Stable**'.

The rating continues to draw comfort from the moderate financial risk profile, experienced management and improvement in profitability. However, the rating is constrained by the modest scale of operations, sector concentration risk and working capital intensive operations.

#### Update

Pariyur Amman's financial risk profile remains moderate marked by net worth of Rs.7.26 crore and gearing (debt-equity ratio) of 1.12 times as on March 31, 2016 compared to net worth of Rs.7.48 crore and gearing of 1.25 times as on March 31, 2015. The interest coverage deteriorated to 1.93 times in FY2015-16 from 2.01 times in FY2014-15.

The operating margin improved to 11.04 percent in FY2015-16 from 8.72 percent in FY2014-15. The net profit margin fell to 0.45 percent in FY2015-16 from 1.32 percent in FY2014-15 on account of decline in raw material prices. The revenue declined to Rs.17.29 crore in FY2015-16 from Rs.25.65 crore in FY2014-15 due to lower demand. The company generates 70 percent revenue from packing material supply for the textile industry. The company achieved revenue of Rs.10.00 crore from April – October 2016.

The operations are working capital intensive reflected in the gross current assets of 247 days as on March 31, 2016 on account of high inventory of 183 days. However, the working capital cycle is comfortable at 89 days for FY2016 due to high payable days of 158 days.

#### Rating Sensitivity Factors

- Sustained improvement in scale of operations and profitability
- Movement in gearing and coverage indicators
- Efficient working capital management

#### Outlook-Stable

SMERA believes that Pariyur Amman will continue to maintain a stable outlook over the medium term owing to the promoters' extensive experience in the paper manufacturing industry. The outlook may be revised to 'Positive', if the company achieves substantial revenue growth while maintaining stable profit margins along with effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenue and profit margins. The outlook may also be affected by a major deterioration in the financial risk profile on account of higher-than-expected working capital requirements.

#### Criteria applied to arrive at the rating:

- Manufacturing Entities

## About the Company

Pariyur Amman, incorporated in 2007, is a Coimbatore-based company promoted by Mr. Shanmuga Perumal. The company is engaged in the manufacture of kraft paper used in the packaging industry for producing corrugated boxes. The company commenced commercial operations in 2010 and has an installed capacity of 80 tonnes per day.

For FY2015–16, Pariyur Amman reported profit after tax (PAT) of Rs.0.08 crore on operating income of Rs.17.29 crore, as compared with PAT of Rs.0.34 crore on operating income of Rs.25.65 crore for FY2014–15.

## Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
28 October, 2015	Cash Credit	7.00	SMERA B (Assigned)	-	Stable
	Term Loan	0.90	SMERA B (Assigned)	-	Stable

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