

August 05, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	13.50 (Enhanced from Rs.7.50 crore)	SMERA B+/Stable (Reaffirmed)
Term Loan	6.00	SMERA B+/Stable (Assigned)
ILC/ FLC (Letter of Credit)	4.75	SMERA A4 (Reaffirmed)

SMERA has reaffirmed the ratings of '**SMERA B+**' (**read as SMERA B plus**) and '**SMERA A4**' (**read as SMERA A four**) on the Rs.18.25 crore bank facilities and assigned a long term rating of '**SMERA B+**' (**read as SMERA B plus**) on the Rs.6.00 crore bank facility of Akshera Papers (AP). The outlook is '**Stable**'.

The ratings reflect AP's below average financial risk profile marked by high gearing and exposure of its operating profitability to volatility in raw material prices. The rating also takes into account the intense competition in the industry. These rating weaknesses are partially offset by the extensive experience of the firm's management in the kraft paper manufacturing industry.

Update

AP's recorded provisional revenues of Rs.65 crore during FY2014-15, was in line with SMERA's expectations. SMERA expects the firm to record healthy growth in revenues over the medium term, driven by commencement of production of Unit-II which leading to increase in capacity utilisation levels and improved demand. The firm's operating profitability during FY2014-15 was around 8 per cent. SMERA expects the margins to remain in the range of 6 to 8 per cent over the medium term. The firm's liquidity is constrained by its working capital intensive operations leading to fully utilised working capital limits, though comforted by funding support from promoters.

Outlook: Stable

SMERA believes AP will continue to benefit over the medium term from the long track record of the promoters in the industry. The outlook may be revised to 'Positive' in case the firm registers strong growth in revenue while achieving sustained improvement in profitability leading to improvement in the financial risk profile, particularly capital structure. The outlook may be revised to 'Negative' in case the firm registers lower-than-expected revenue and profit margins, or in case of deterioration in the firm's working capital management leading to deterioration in the liquidity.

Rating Sensitivity Factor

- Greater than expected debt funded capital expenditure plans
- Efficient working capital management

About the Firm

AP, established in 2001, is engaged in the manufacture of kraft paper. The operations are managed by its partners, Mr. K. Ramesh Krishnan and Mrs. Uma Maheshwari.

For FY2013–14, AP reported net profit of Rs.0.74 crore on revenue of Rs.65.33 crore, as compared with net profit of Rs.0.44 crore on revenue of Rs.41.21 crore in FY2012–13.

Contact List:

Media/ Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Email: antony.jose@smera.in	Mohit Jain Vice President – Rating Operations Tel: +91-22-6714 1105 Email: mohit.jain@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in