

### Akshera Papers: Upgraded

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	13.50	SMERA BB/Stable (Upgraded from SMERA B+/Stable)
Term Loan	6.00	SMERA BB/Stable (Upgraded from SMERA B+/Stable)
Inland/Foreign Letter of Credit	4.75	SMERA A4+ (Upgraded from SMERA A4)

SMERA has upgraded the ratings of Akshera Papers (AP) on the Rs.24.25 crore bank facilities to **'SMERA BB' (read as SMERA double B)** and **'SMERA A4+' (read as SMERA A four plus)** from **'SMERA B+' (read as SMERA B plus)** and **'SMERA A4' (SMERA A four)** respectively. The outlook is **'Stable'**.

The rating upgrade is on account of the healthy revenue growth, improvement in profit margins, financial risk profile and working capital cycle. The ratings continue to derive comfort from the experienced management, established track record of operations, diversified product mix and comfortable coverage indicators. However, the ratings are constrained by the relatively high gearing, susceptibility of profitability to volatility in raw material prices and intense competition.

### Update

AP is engaged in the manufacture of kraft paper. The firm registered operating income of Rs.104.73 crore for FY2015-16 as compared to Rs.65.36 crore for FY2014-15. The growth in operating income is on account of commencement of production of Unit – II. The total installed capacity increased from 34,200 metric tonne per annum to 57,120 metric tonne per annum. The EBITDA margins improved from 7.83 per cent in FY2014-15 to 11.61 per cent in FY2015-16 due to decrease in power and fuel cost.

The financial risk profile of AP has registered improvement, reflected in the gearing of 2.75 times as on March 31, 2016 (PY: 8.02 times). The gearing has improved due to infusion of capital by promoters. The interest coverage ratio has improved to 4.77 times as on March 31, 2016 as compared to 1.60 times as on March 31, 2015.

The firm's working capital cycle has improved to 33 days in FY2016 as compared to 64 days in FY2015. This is on account of reduced inventory holding of 44 days in FY2016. The average cash credit utilisation is ~97 per cent for the past six months ended October 2016.

### Rating Sensitivity Factors:

- Sustained improvement in revenues and profitability
- Movement in gearing and coverage indicators
- Efficient working capital management

### Outlook: Stable

SMERA believes that the firm's outlook will remain Stable in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm achieves sustained growth in revenues and profit margins with substantial improvement in the capital

structure. The outlook may be revised to 'Negative' in case of decline in revenues and profit margins or deterioration in the firm's capital structure.

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

- Manufacturing Entities

#### About the Firm

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

For FY2015-16, AP reported net profit of Rs.8.33 crore on revenue of Rs.104.73 crore, as compared with net profit of Rs.0.77 crore on revenue of Rs.65.36 crore in FY2014-15.

#### Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
05 August, 2015	Cash Credit	13.50	SMERA B+ (Reaffirmed)	-	Stable
	Term Loan	6.00	SMERA B+ (Assigned)	-	Stable
	ILC/FLC Letter of Credit	4.75	-	SMERA A4 (Reaffirmed)	-
06 January, 2014	Cash Credit	7.50#	SMERA B+ (Assigned)	-	Stable
	Term Loan	0.88*	SMERA B+ (Assigned)	-	Stable
	BPC (Bills Purchase)	0.20	-	SMERA A4 (Assigned)	-
	ILC/FLC Letter of Credit	4.75	-	SMERA A4 (Assigned)	-

\*Term loan balance outstanding as on September 30, 2013

# Includes sublimit of CCBD to the extent of Rs.2.75 crore and sublimit of OCC to Sathyamangalam branch to the tune of Rs. 0.25 crore

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