

Press Release

Chadha Papers Limited

December 25, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs Crore)	Rating Assigned
1	Long Term (Fund based)	43.00	IVR BBB- / Stable Outlook ; (IVR Triple B Minus with Stable Outlook)
2	Short term (Non-Fund Based)	30.00	IVR A3 (IVR A Three)
Total		73.00	

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from the experienced promoters and management team, Good cash conversion cycle, Diversified product profile and positive outlook for paper Industry. The rating however is constrained by decrease in operating income in FY19, Cyclicity inherent in the paper industry and Raw material price risk and intense competition

Key Rating Sensitivities:

- **Upward Rating Factor-** Significant improvement in scale of operation could lead to a positive rating action
- **Downward Rating Factor-** Any decline in profitability margin could lead to a negative rating action

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters and management team

Chadha Papers Limited (CPL) was established in 1990 and it is promoted by owners of wave group, which is a leading business conglomerate across diverse sectors. The key promoter of the company is Rajinder Chadha, son of wave group founder Mr. Kulwant Singh Chadha. The company business is run by an experienced management team that has more than one decade experience in paper and related industry.

Good Cash Conversion Cycle

CPL has an average inventory holding days in the range of 35-40 days as it works on order based model and also it has strong tie-up with waste paper suppliers which is the main raw material used by the company. These all factors contributes to maintaining a good operating cycle

Diversified Product profile

Chadha Papers Limited (CPL) is present in the kraft as well as writing and printing paper (WPP) segments. It has manufacturing capacity of 100 MT per day of Absorbent kraft paper, 150 MT per day of kraft paper only and 150 MT of newsprint/Writing Paper. The diversified product profile helps to maintain a healthy mix of revenue. It has established its presence in the paper industry and has done a significant amount of capex in last few years

Positive outlook for Paper industry

Increasing urbanization and middle class population with surge in literacy rates in India, is expected to create huge demand for paper products such as newsprint and writing Paper.

Key Rating Weaknesses

Decrease in operating Income in FY19

The operating income of the firm has decreased to Rs.414.77 crore for FY19 as compared to Rs. 424.93 crore in FY18 due to decline in the traded goods. The EBITDA margin of the firm has also declined from 4.21% in FY18 to 3.31% in FY19.

Cyclicalilty inherent in the paper industry

The Indian paper industry is small as compared to the global scale and domestic paper prices are largely determined by the international trends. Hence, global demand-supply balance impacts the price trend of the domestic industry.

Raw material price risk and intense competition

The key raw material used by the company is waste paper, prices of which is increasing over the last six months. Further, the paper industry is highly fragmented and intensely competitive. So the incremental raw material cost can't be transferred to consumers due to intense competition

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for manufacturing companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The liquidity Position of the company is adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations. The average utilization of working capital bank limit during the last 12 months ended September- 30, 2019, stood modest at about 71.60%

About the company

Chadha Papers Limited (CPL), established in 1990, is an Uttar Pradesh based company promoted by members of the Chadha Family. The company is a part of the Wave Group, which is a leading business conglomerate across diverse sectors. Chadha Papers Limited is engaged in the manufacturing of different kinds of papers such as Kraft, Absorbent Kraft, Writing and Printing, and News Print papers

Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	424.93	414.77
EBITDA	17.89	13.73
Adjusted PAT**	7.31	5.65
Total Debt	62.04	63.29
Tangible Net worth	93.09	94.51
EBIDTA Margin (%)	4.21	3.31
Adjusted PAT Margin (%)	1.71	1.32
Overall Gearing ratio (x)	0.67	0.67

* Classification as per Infomerics' standards

**Adjusted PAT- There was one time adjustment made in FY-19 due to notional Interest expense and Notional interest Income due to change in accounting standards from IND-GAAP to IND-AS in FY-18.

Details of Non-Cooperation with any other CRA: N.A

Any other information: N.A

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding 30.03.2019 (Rs. crore)	Rating	Rating assigned in 18-19	Rating assigned in 17-18	Rating assigned in 16-17
Fund Based Facilities	Term loan	11.50	IVR BBB- /Stable Outlook	--	--	--
Fund Based Facilities	Cash Credit (CC)	30.00	IVR BBB- /Stable Outlook	--	--	--
Fund Based Facilities	CEL	1.50	IVR BBB- /Stable Outlook	--	--	--
Non-Fund Facilities	Bank Guarantee/ Letter of Credit	30.00	IVR A3	--	--	--
	Total	73.00				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities

and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Sr. no	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crores)	Rating Assigned/ Outlook
1	Fund Based Term Loan	--	--	Oct-2022	11.50	IVR BBB-/Stable Outlook
2	Fund Based Cash Credit	--	--	--	30.00	IVR BBB-/Stable Outlook
2	Fund Based CEL	--	--	--	1.50	IVR BBB-/Stable Outlook
3	Non-Fund Based Letter of Credit/Bank Guarantee	--	--	--	30.00	IVR A3

Total	73.00	
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