



Press Release

Amrit Papers Private Limited

[erstwhile Amrit Agencies (Indore) Private Limited]

April 27, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facility – Cash Credit	40.00	IVR BBB- / Credit Watch with Developing Implication (IVR Triple B Minus with Credit Watch with Developing Implication)	Revised; Placed under Credit watch with developing implications; Removed from ISSUER NOT COOPERATING category	Simple
Long Term Fund Based Facility – Term Loan	78.40	IVR BBB- / Credit Watch with Developing Implication (IVR Triple B Minus with Credit Watch with Developing Implication)	Revised; Placed under Credit watch with developing implications; Removed from ISSUER NOT COOPERATING category	Simple
Total	118.40 (One Hundred Eighteen Crore and Forty Lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating was migrated to ISSUER NOT COOPEARTING as the company had not submitted all the required information for surveillance under the stipulated timelines. Subsequently, the company has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPEARTING category.

The revision in the ratings assigned to the bank facilities of Amrit Papers Private Limited [erstwhile Amrit Agencies (Indore) Private Limited] continues to draws comfort from its experienced promoters and long track record of operations, satisfactory capital structure and debt metrics.

Further, the ratings continue to derive strength from the incremental benefits arising out of CAPEX, rebounding of revenue in FY22, moderate financial profile albeit improving and incentives available from State Government. However, these rating strengths are partially



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offset by its highly competitive and fragmented nature of industry and geographical and supplier concentration risk.

The rating is placed under credit watch with developing implications to monitor the scheduled implementation of the 300TPD Packaging Kraft Paper Manufacturing Project.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals and liquidity position on a sustained basis
- Improvement in the capital structure and debt protection metrics
- Improvement in working capital cycle

Downward Factors

- Deterioration in scale of operation and/or deterioration in profitability impacting the debt protection metrics on a sustained basis
- Deterioration in the capital structure
- Elongation in the operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters and Long Track Record of Operations:

Amrit Papers Private Limited (APPL) has an operational track record from 1988. The company is promoted by Mr. Ravi Sethi and Mr. Manoj Bahety. They along with the experienced senior management, handle the day to day operations of the company. Long standing presence of the promoter in the industry has helped the company to build established relationships with both customers and suppliers.

Satisfactory Capital Structure and Debt Metrics:

The Capital Structure of the company is moderate marked by its adjusted tangible net worth base of INR23.66Cr. as on March 31, 2021 (INR22.45 in FY20). The overall gearing stood comfortable at 1.35x as on March 31, 2021 (1.37x in FY20). Total indebtedness of the firm as reflected by TOL/ATNW also remained comfortable and stands at 2.08 as on March 31, 2021 (3.61 in FY20). Promoters are infusing equity in FY22. Its Share Capital in



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FY22 is increasing to ~INR3.92 crore (INR2.36 in FY21) and Securities Premium ~INR 16.93 crore (INR 3.49 in FY21).

Rebounding of Revenue in FY22:

The Total Operating Income of the company has witnessed a downward trend in FY21, i.e. from ~INR287 crore in FY20 to ~INR118 crore in FY21. However, this got revamped as per provisional numbers submitted by the APPL. The achieved revenue during FY22 is ~INR168 crore(Provisional).

Incremental Benefit arising out of CAPEX:

APPL is venturing into Kraft Paper Manufacturing. As of now its operations are restricted to trading of paper only. Now with the commencement of operations of new unit, the profitability of the company is expected to improve with the higher mark-ups available in manufacturing activity. Total CAPEX amounts to ~INR124 crore. The project is being funded by the term loans of INR78.40 crore and balance by way of equity & unsecured loan. As on February 28, 2022, APPL has incurred cost of ~INR24 crore. The project is scheduled to be completed by January 2023.

Moderate financial profile albeit improving:

APPL's TOI dipped to ~INR118 crore in FY21 as against ~INR287 crore in FY20. This revamped in FY22 to ~INR168 crore(Provisional). Despite this decline in TOI, APPL's EBITDA margin in FY21 improved to 3.73x as against 2.84x in FY20 and it is 4.51x in FY22(Provisional). This improvement is result of cost cutting strategies used by company during covid-19 period. Company is incurring CAPEX of ~INR124 crore. They have also informed that, now, they are allowed to participate in government tenders also. From these developments, incremental benefits arising will give positive return in the upcoming period. In FY21, there is ~42% increase in total income over the last year. PAT margin also improved from 1.23% in FY21 to 2.02% in FY22(Provisional).

Incentives available from State Government:

The Packaging Kraft Paper Project shall be eligible for various financial incentives available from State Government of MP under their 'Investment Promotion Policy' which includes Capital Subsidy, Rebate in Power Tariff, Exemption from Electricity Duty etc.



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Key Rating Weaknesses

Highly Competitive and fragmented nature of industry:

The Indian paper industry is highly fragmented with presence of several organised and unorganized players. Intense competition limits the bargaining power of the companies and restricts its profitability to an extent.

Concentration Risk:

APPL operations are mostly concentrated in Madhya Pradesh and Gujarat with almost 90% of the revenue coming from the 2 states. Moreover, top 10 suppliers account for ~66% of the total purchases of the company. These factors expose the company to supplier and geographical concentration risk.

Analytical Approach: Standalone

Applicable Criteria (Please add Hyperlink to the respective criteria):

[Rating Methodology for Trading Company](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Guidelines on what constitutes Non-Cooperation by clients](#)

Liquidity – Adequate

APPL has earned a GCA of INR1.98 crore compared to its debt obligation of INR0.62 crore in FY21. The company has strong healthy liquidity marked by its strong accruals against minimal repayment obligations attributable to low long-term debt in its capital structure. The average working capital utilization is ~85% during last 11 months i.e. from April' 21 to Feb' 22. The cash & bank balance stood at ~INR0.30 Crore as on March 31, 2021. The current ratio of the company is moderate at 1.31 in FY21.

About the Company

Amrit Papers Private Limited [erstwhile Amrit Agencies (Indore) Pvt Ltd.] was incorporated in 1995 with object to deal in paper products. Earlier, the business was running as partnership concern since 1988 and then converted into private limited company in 1995 with a view to broad base the business profile & capital base. The company has proposed to implement a Packaging Kraft Paper Manufacturing Unit with 300TPD exclusively to serve the demand of packaging units located in Central India region. The plant will have an aggregate installed



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capacity of 100K MTPA having a project cost of ~INR124 crore partly funded by the term loan of INR78.40 crore.

Financials (Standalone):

For the year ended*/As on	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	118.03	168.00
EBITDA	4.41	7.57
PAT	1.46	3.40
Total Debt	30.42	30.59
Tangible Net Worth	22.51	40.91
EBITDA Margin (%)	3.73	4.51
PAT Margin (%)	1.23	2.02
Overall Gearing Ratio (x)	1.35	1.11

*Classification as per Infomerics` standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (April 19 th , 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21 (January 20 th , 2021)	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	40.00	IVR BBB- / Credit Watch with Developing Implication	IVR BB+; ISSUER NOT COOPERATING*	-	IVR BBB- / Credit Watch with Developing Implication	-
2.	Term Loan	Long Term	78.40	IVR BBB- / Credit Watch with Developing Implication	IVR BB+; ISSUER NOT COOPERATING*	-	IVR BBB- / Credit Watch with Developing Implication	-

*Issuer did not cooperate; based on best available information.



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	Revolving	40.00	IVR BBB- / Credit Watch with Developing Implication
Term Loan	-	-	June, 2030	78.40	IVR BBB- / Credit Watch with Developing Implication

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Amrit-Papers-Apr22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.