



## Press Release

### Chadha Papers Limited

January 10, 2024

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	31.50	IVR BB+/Stable [IVR Double B Plus with Stable Outlook]	Revised and removed from Issuer Not Cooperating category	Simple
Short Term Bank Facilities	30.00	IVR A4+	Revised and removed from Issuer Not Cooperating category	Simple
<b>Total</b>	<b>61.50</b>	<b>[ Rupees Sixty-one Crore and fifty lakhs Only]</b>		

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

Earlier Infomerics had moved the ratings assigned to the bank facilities of Chadha Papers Limited into the issuer not cooperating category due to non-submission of information by the company. Now the company has duly submitted all the required information for a detailed review and Infomerics has revised & removed the rating from 'ISSUER NOT COOPERATING' category.

The revision in the long-term rating and reaffirmation of short-term rating assigned to the bank facilities of Chadha Papers Limited (CPL) draw comfort from experienced & resourceful promoters and management team, comfortable cash conversion cycle, diversified product profile, improvement in scale of operations and profitability. However, these rating strengths are partially offset by leveraged capital structure albeit moderate debt protection metrics, cyclicity inherent in the paper industry, raw material price risk and intense competition. Further, any substantial investment in any group companies will also remain key rating monitorable.

#### Key Rating Sensitivities:

#### Upward Factors



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- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with further improvement in debt protection indicators.

### **Downward Factors**

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or further deterioration in the financial risk profile.
- Any further significant rise in working capital intensity or unplanned capex leading to a further deterioration in the liquidity position.
- Substantial investment in the group company can lead to a rating downgrade.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced & resourceful 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's experience in paper and related industry.

##### **Comfortable Cash Conversion Cycle**

CPL has an average inventory holding days in the range of 25-40 days as it works on order-based model and also it has strong tie-up with wastepaper suppliers which is the main raw material used by the company. These all factors contribute 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.



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The diversified product profile helps to maintain a healthy mix of revenue. It has established its presence in the paper industry.

### **Improvement in scale of operations and profitability**

TOI of the company has increased Y-o-Y by 23.01% in FY23 i.e., from Rs. 566.63 Crore in FY22 to Rs. 697.03 Crore in FY23 mainly on account of increase in sales volume as well as sales realization of its key products. The profitability margins of the company marked by EBITDA margin increased significantly by 1361 bps in FY23 i.e., from 1.95% in FY22 to 15.57% in FY23. The company reported a PAT of Rs. 60.80 crore in FY23 as against net losses of Rs. 2.94 crore in FY22. The Gross Cash Accrual of the company increased Y-o-Y by 788.94% i.e., from Rs. 9.55 Crore in FY22 to Rs. 84.90 Crore in FY23. Further, the adjusted Gross Cash Accruals of the company has improved from Rs. 3.72 crore in FY22 to Rs. 93.23 crore in FY23.

### **Key Rating Weaknesses**

#### **Leveraged capital structure albeit Moderate Debt Protection Metrics**

The capital structure of the company stood moderate marked by overall gearing of 5.16 times as on March 31, 2023, improved from -4.07x as on March 31, 2022, mainly on account of lower utilization of working capital bank borrowings and positive net worth. The overall gearing on ATNW improved to -9.69 times as on March 31, 2023, as against -4.31 times as on March 31, 2022. The TNW stood positive at Rs. 21.29 crore as on March 31, 2023, as against Rs. (39.65) crore as on March 31, 2022, mainly on account of accretion of profits to reserves. Total indebtedness of the company as reflected by TOL/TNW stood at 11.98x as on March 31, 2023, improved from -6.34x as on March 31, 2022. Total indebtedness of the company as reflected by TOL/ATNW stood at -23.66x as on March 31, 2023 from -6.75x as on March 31, 2022. Further, debt coverage indicators of the company stood comfortable with interest coverage of 13.83x in FY23 improved from 1.62x in FY22 mainly on account of higher operational



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profit during the year. The total debt to Adj. GCA stood comfortable at 1.18x as on March 31, 2023, improved from 43.38x as on March 31, 2023.

### **Cyclicality 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 wastepaper, prices of which has been fluctuating quite frequently over past period. 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:** Standalone

**Applicable Criteria:**

[Rating Methodology- Infrastructure Companies](#)

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

[Criteria for assigning Rating outlook](#)

### **Liquidity – Adequate**

The company's liquidity is adequate marked by 78.89% average utilisation of fund-based limits during the past 12 months ended October 2023. Further, the average non-fund-based utilization stood at 75.23% for last 12 months ending October 2023. Further, the company expects sufficient cushion in cash accruals against its debt repayments for the next 3 years. The company has a Current Ratio and quick ratio of 1.21x and 0.84x as of March 31, 2023, respectively. The Unencumbered cash and bank balance of the company stood at Rs.47.50 Crores and Rs. 57.70 crore as on March 31, 2023, and September 30, 2023, respectively. The Working Capital Cycle of



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the company stood at 18 days in FY23 elongated from 14 days in FY22 on account of increase in inventory holding period.

### 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 Newsprint papers.

### Financials (Standalone):

For the year ended* / as on	(Rs. Crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	566.63	697.03
EBITDA	11.07	108.50
PAT	-2.94	60.80
Total Debt	161.45	109.91
Tangible Net Worth	-39.65	21.29
<b>Ratios</b>		
EBITDA Margin (%)	1.95	15.57
PAT Margin (%)	-1.54	9.89
Overall Gearing Ratio (x)	-4.07	5.16

\*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Sep 15, 23)	Date(s) & Rating(s) assigned in 2021-22 (Jul 22, 2022)	Date(s) & Rating(s) assigned in 2021-22 (April 29, 2021)
1.	Long Term Fund Based Facilities	Long Term	31.50	IVR BB+/ Stable	IVR BB/ Negative (INC)	IVR BB+/ Stable	IVR BB+/ Stable





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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Sep 15, 23)	Date(s) & Rating(s) assigned in 2021-22 (Jul 22, 2022)	Date(s) & Rating(s) assigned in 2021-22 (April 29, 2021)
2.	Short Term Fund Based Facilities	Short Term	30.00	IVR A4+	IVR A4(INC)	IVR A4+	IVR A4+

### Name and Contact Details of the Rating Analyst:

Name: Vipin Jindal

Tel: (011) 45579024

Email: [vipin.jindal@infomerics.com](mailto:vipin.jindal@infomerics.com)

### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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	-	-	-	30.00	IVR BB+/ Stable
CEL	-	-	-	1.50	IVR BB+/ Stable
Letter of Credit	-	-	-	30.00	IVR A4+

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-Chadha-Papers-jan24.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](http://www.infomerics.com).