



Press Release

Chadha Papers Limited

July 22, 2022

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facility – Term Loan	3.08 (Reduced from 8.18)	IVR BB+ / Stable Outlook	Reaffirmed	Simple
Long Term Fund Based Bank Facility – Cash Credit	30.00	IVR BB+ / Stable Outlook	Reaffirmed	Simple
Long Term Bank Facility – CEL	1.50	IVR BB+ / Stable Outlook	Reaffirmed	Simple
Short Term Non Fund Based Bank Facility – Letter of Credit	30.00	IVR A4+	Reaffirmed	Simple
Proposed Short Term Bank Facility – Letter of Credit	3.32	IVR A4+	Reaffirmed	Simple
Total	67.90 (Sixty-Seven Crore and Ninety Lakh Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the rating assigned to the bank facilities of Chadha Papers Limited (CPL) continues to draw comfort from experienced and resourceful promoters and management team, comfortable cash conversion cycle and diversified product profile.

However, these rating strengths are partially offset by moderate debt protection metrics, net loss in FY22; albeit improving cash accruals, cyclicity inherent in the paper industry and raw material price risk and intense competition.

Key Rating Sensitivities:

Upward Factors

- Significant and Sustained improvement in scale of operation leading to an increase in profitability could lead to a positive rating action.
- Improvement in debt coverage indicators and capital structure.



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Downward Factors

- Significant decline in scale of operations or any significant decline in profitability margin could lead to a negative rating action.

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's business is run by an experienced management team that has more than one decade of 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 waste paper suppliers which is the main raw material used by the company. These all factors contribute to maintaining a good operating cycle.

Diversified Product profile

CPL has presence 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.

Key Rating Weaknesses

Moderate Debt Protection Metrics

Capital structure of CPL is leveraged marked by overall gearing (non-adjusted) of ~19.01 times as on March 31, 2022(Prov.) due to low net worth base. TNW (upon considering preference share capital as quasi-equity) was ~Rs. 6.09 Crore as on March 31, 2022. Further, debt coverage indicators remained at an average level with ISCR of ~1.46x and



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DSCR of 1.59x in FY22(Prov.). Scaling up of operations and ensuring generation of adequate cash accruals remains key deliverables for the company in order to comfortably meet the outflows in the nature of overheads and debt obligations.

Loss at net level; albeit improving cash accruals

CPL reported net loss (non-adjusted) of Rs. 2.93 in FY22. However, this has reduced from previous year's net loss (non-adjusted) of Rs. 8.99 Crore. Further, the adjusted Gross Cash Accruals of CPL have improved from cash losses in FY20 and FY21 to cash profit of Rs. 2.70 crore in FY22. This reduction in net loss and improvement in GCA level is reflection of company's overall improvement in total operating income and strong order book. CPL shared that at present they have an order book of ~Rs. 117 Crore, out of which many orders have a recurring period of 15 days to 2 months.

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 for Manufacturing Committee](#)

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

Liquidity – Adequate

The company has adequate liquidity marked by cash & bank balance of Rs. 6.40 Crore as on March 31, 2022. The company expects sufficient cushion in cash accruals vis-à-vis debt repayments as it estimates its GCA in the next 3 years to be in the range of Rs. 35 Crore -



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Rs. 50 Crore. The average working capital utilization is moderate at ~82% during last 12 months ended May 2022. . The current ratio of the company is below unity at 0.61x as on March 31, 2022. The company had received financial support from the promoter group in the recent past to support its operations.

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	31-03-2021	31-03-2022
	(Audited)	(Provisional)
Total Operating Income	328.75	566.63
EBITDA	0.07	9.98
Adjusted PAT**	(18.65)	(8.76)
Total Debt	103.54	115.71
Tangible Net Worth	8.72	6.09
EBITDA Margin (%)	0.02	1.76
PAT Margin (%)	-5.61	-1.54
Overall Gearing Ratio (x)	11.87	19.01

*Classification as per Infomerics` standards

**Adjusted PAT – There were adjustments done in both FY21 and FY22 due to notional interest expense and notional income as there was a change in accounting standards as company has moved from IND-GAAP to IND-AS in FY18.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (April 29, 2021)	Date(s) & Rating(s) assigned in 2019-20 (December 25, 2019)	Date(s) & Rating(s) assigned in 2018-19



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1.	Term Loan	Long Term	3.08	IVR BB+/ Stable	IVR BB+/ Stable	IVR BBB-/ Stable	-
2.	Cash Credit	Long Term	30.00	IVR BB+/ Stable	IVR BB+/ Stable	IVR BBB-/ Stable	-
3.	CEL	Long Term	1.50	IVR BB+/ Stable	IVR BB+/ Stable	IVR BBB-/ Stable	-
4.	Letter of Credit	Short Term	30.00	IVR A4+	IVR A4+	IVR A3	-
5.	Proposed – Letter of Credit	Short Term	3.32	IVR A4+	IVR A4+	IVR A3	-

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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.

For more information visit www.infomerics.com.



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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
Term Loan	-	-	Upto Jan 2023	3.08	IVR BB+/ Stable
Cash Credit	-	-	-	30.00	IVR BB+/ Stable
CEL	-	-	-	1.50	IVR BB+/ Stable
Letter of Credit	-	-	-	30.00	IVR A4+
Proposed Letter of Credit	-	-	-	3.32	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-CPL-jul22.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.