



Press Release

Paswara Papers Limited

October 06, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	215.25*	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Long Term/Short Term Bank Facilities	24.75	IVR BBB/ Stable; IVR A3+ (IVR triple B with Stable Outlook and IVR A three plus)	Assigned	Simple
Total	240.00 (INR Two Hundred Forty Crores Only)			

**Includes Proposed Cash Credit of Rs.13.99 crores*

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Paswara Papers Limited factors in the extensive experience of promoters with established track record of operations, increase in scale of operations and profitability in FY22 and moderate debt coverage indicators. However, the rating is constrained by leveraged capital structure, susceptibility of company's margins to volatility in prices of raw material and presence in competitive and fragmented industry.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of business with further improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity
- Improvement in the capital structure resulting in further improvement of the financial risk profile

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile



Press Release

- Any further significant rise in working capital intensity or unplanned capex leading to deterioration in the liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long experience of the promoters and established track record of operations

Paswara Papers Limited is promoted by Mr. Arvind Kumar, Mr. Vinod Kumar and Mr. Kapil Kumar who have more than 3 decades of experience in the kraft paper industry. The Company's board of directors comprises of experienced and qualified individuals. Further, Company has an operational track record of over three decades. Longstanding presence of the promoters in the industry has helped the company to establish strong relationships with customers and suppliers, withstand industry cycles, diversify the product profile, and expand capacity.

Increase in scale of operations and profitability in FY22

The company's total operating income improved ~51% from Rs.411.61 Crores in FY21 to Rs 622.29 Crores in FY22. PAT has increased to Rs.17.51 Crores in FY22 from Rs.7.95 Crores in FY21. GCA also improved from Rs.30.13 Crores in FY21 to Rs.38.61 Crores in FY22. The benefits of the capex done in last 2 years will accrue in the near future in terms of increased turnover and better profitability margins going forward on account of enhanced capacity.

Despite increase in the scale of operations in FY22, the EBITDA margin of the company has registered decline from 13.06% in FY21 to 9.32% in FY22. This was majorly on account of raw material prices getting almost doubled and also increase in fuel costs of the company which led to hit in their operating margins as the company was unable to transfer the cost to its customers because of intense competition in the industry. However, PAT margin improved from 1.93% in FY21 to 2.81% in FY22 due to lower interest expenses.

Moderate debt coverage indicators



Press Release

The debt protection metrics is satisfactory marked by ICR & DSCR of 3.38x & 1.19x in FY22 as against 2.35x & 1.10x. Total Debt/GCA stood at 6.26 years in FY22 as against 8.00 years in FY21.

Key Rating Weaknesses

Leveraged capital structure

The capital structure of the company although improved but remained leveraged as the overall gearing ratio of the company stood at 1.90x as on March 31, 2022 as against 2.19x as on March 31, 2021. Tangible Net worth base increased to Rs.137.44 Crores as on March 31, 2022 as against Rs.118.74 Crores as on March 31, 2021. TOL/TNW ratio of the company stood at 2.63x as on March 31, 2022 as against 2.64x as on March 31, 2021.

Susceptibility of company's margins to volatility in prices of raw material

The company is susceptible to price raw material fluctuation risk. The major raw material is scrap/used papers, the prices of these are volatile and vary depending on the demand-supply situation domestically and globally. Any increase in the price, if not passed on, may adversely affect the company's profit margins.

Presence in competitive and fragmented industry

The Indian paper industry accounts for about 3% of the world's production of paper which is highly fragmented and competitive in nature. The entry barrier to the industry is low resulting in stiff competition in the industry due to presence of large number of well-established players and unorganized small units exerting pressure on its margins.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)



Press Release

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate as the company expects sufficient cushion in its cash accruals as against its scheduled debt repayment obligation during FY23-25. However, the company's current ratio stood low at 0.97x as on March 31, 2022. Also, the working capital utilization of company stood at ~81% during past 12 months ended August 2022. Operating cycle of the company improved to 42 days in FY22 from 63 days in FY21.

About the Company

Paswara Papers Limited was incorporated in 1980 with its registered office at Paswara House, Baghpat Road, Meerut. The company is engaged in manufacture of Kraft Paper and is in existence for more than three decades. The company's present capacity is 1,25,000 MT for Multi-Layer Kraft Paper and 40,000 MT for M.G Kraft Paper & Kraft Board. Mr. Arvind Kumar, Mr. Vinod Kumar and Mr. Kapil Kumar are the key promoter in charge of the company.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	411.61	622.29
EBITDA	53.77	58.00
PAT	7.95	17.51
Total Debt	240.89	241.53
Tangible Net worth	118.74	137.44
EBITDA Margin (%)	13.06	9.32
PAT Margin (%)	1.93	2.81
Overall Gearing Ratio (x)	2.19	1.90
Interest Coverage Ratio (x)	2.35	3.38

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:



Press Release

Based on the last available information, the ratings on bank facilities of PPL continues to be 'CRISIL B/Stable Issuer Not Cooperating' vide press release dated 10th November 2021.

Brickwork ratings has revised the rating to **BWR BB+/Stable** and moved the rating to **ISSUER NOT COOPERATING** category due to information insufficiency and lack of management cooperation vide its press release dated 27th September 2022.

Any other information: Not applicable

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	109.24*	IVR BBB/ Stable	-	-	-
2.	Term Loans	Long Term	106.01	IVR BBB/ Stable	-	-	-
3.	Cash Credit^	Long Term/Short Term	24.75 ^	IVR BBB/ Stable; IVR A3+	-	-	-

*Includes proposed cash credit of Rs. 13.99 crores

^EPC of Rs. 15.00 crores is sublimit of Cash Credit

Name and Contact Details of the Rating Analyst:

Name: Mr. Harsh Raj Tel: (011)- 41410244 Email: harsh.raj@infomerics.com	Name: Mr. Harsh Raj Sankhla Tel: (011)-41410244 Email: harshraj.sankhla@infomerics.com
--	---



Press Release

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

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any 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 (INR Crore)	Rating Assigned/ Outlook
Cash Credit- I*	-	-	-	24.75*	IVR BBB/ Stable; IVR A3+
Cash Credit- II	-	-	-	65.25	IVR BBB/ Stable



Press Release

Cash Credit- III	-	-	-	30.00	IVR BBB/ Stable
Proposed Cash Credit	-	-	-	13.99	IVR BBB/ Stable
Term Loan- I	-	-	FY25	18.35	IVR BBB/ Stable
Term Loan- II	-	-	FY28	33.51	IVR BBB/ Stable
Term Loan- III	-	-	FY28	10.22	IVR BBB/ Stable
Term Loan- IV	-	-	FY28	7.30	IVR BBB/ Stable
Term Loan- V	-	-	FY24	17.51	IVR BBB/ Stable
Term Loan- VI	-	-	FY25	11.06	IVR BBB/ Stable
Term Loan- VII	-	-	FY28	8.06	IVR BBB/ Stable

**EPC of Rs.15.00 crores is sublimit of CC*

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Paswara-Papers-oct22.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.