



Press Release

Vellum Papers Private Limited

July 11, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	25.34	IVR B+/Stable (IVR B plus with Stable Outlook)	-	Assigned	Simple
Short Term Bank Facilities	7.00	IVR A4	-	Assigned	
Total	32.34	(Rupees thirty-two crore thirty-four lakh only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned the rating for long-term rating as IVR B+ with stable outlook and short-term rating as IVR A4 for the bank loan facilities of Vellum Papers Private Limited (VPPL).

The rating assigned to the bank facilities of Vellum Papers Private Limited (VPPL) draws comfort from its experienced management and positive outlook of paper industry. However, these strengths are partially offset by exposure to volatility in prices of raw materials, VPPL's early stage of operations, and its position within a highly fragmented industry.

IVRPL has principally relied on the audited financial results of VPPL's up to 31 March 2023, Management Certified Provisional Results for FY2024 (i.e. review period from 1st April 2023 to 31st March 2024), and projected financials for FY25, FY26 and FY27, along with publicly available information/ clarifications provided by the Company's management.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in the operating income and profitability resulting in the improvement of the financial risk profile and liquidity profile of the company.
- Effective working capital management with improvement in operating cycle and liquidity.

Downward Factors

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



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Promoters:**

The promoters have relevant experience respectively in paper industry specifically in kraft paper business. The long-standing experience of the management has also resulted in established relationship with customers resulting in repeat orders.

- **Positive outlook for Paper industry:**

The kraft papers are mainly used in packaging sector. The kraft paper industry in India is expected to witness a significant growth in future as the government of India has started putting nationwide curbs on use of single use plastic and endorsed many awareness programmes on less usage of plastic, which will indirectly push demand for the kraft paper manufacturing industries. Also, changing consumer preferences towards convenient packaging solutions along with sustainability in mind will diminish the demand for plastic packaging and hence fuel the paper and paperboard industry.

Key Rating Weaknesses

- **Nascent stage of operations:**

Vellum Papers Pvt Ltd. has recently begun commercial production from March 2023 and is at a nascent stage of operations. Going forward, scaling up of operations and profitability will be a key rating monitorable.

- **Susceptibility of profitability due to volatility in raw material prices:**

Raw material and power consumption constitutes a major portion of the total operating cost in FY24. The profitability margins of the company remain susceptible to volatility in the raw material prices and power tariff. Any adverse fluctuation in raw material price could impact the profitability of the company. Paper industry is a power intensive industry, and power is one of the major cost components after raw material.

- **Presence in highly fragmented Industry:**

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



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The company has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company's liquidity position is supported by cash and bank balances of Rs.0.92 crore as on March 31, 2024 (provisional). The Company generated net cash accruals of Rs.1.56 crore for FY2024 (provisional) while its maturing debt obligations were Rs. 0.31 crore for the same period. The cash accruals of the Company are estimated to remain in the range of around Rs. 5.09 crore to Rs.6.60 crore as against debt obligation of Rs1.93 crore to Rs.2.28 crore during FY 2025-27. The current ratio stood at 1.26x as on March 31st, 2024.

About the Company

M/s Vellum Papers Private Limited incorporated in 2020 specializing in the manufacturing, buying, selling, and exporting of various paper products such as writing paper, printing paper, tissue paper, and more. The company is engaged in manufacturing of wastepaper-based Poster Paper, Tissue Paper, and Light GSM Kraft Paper with installed capacity of 16500 TPA in aggregate. The finished product of the company i.e. Poster Paper, Tissue Paper and Light GSM Kraft Paper is widely demanded having various uses.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	0.61	31.50
EBITDA	0.02	4.64



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PAT	0.00	0.62
Total Debt	28.12	30.74
Tangible Net Worth	5.44	6.06
EBITDA Margin (%)	2.80	14.74
PAT Margin (%)	(0.34)	1.96
Overall Gearing Ratio (x)	5.17	5.08
Interest Coverage (x)	1.15	1.50

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in T-1	Date(s) & Rating(s) assigned in T-2	Date(s) & Rating(s) assigned in T-3
					March 31, 2023	March 31, 2022	March 31, 2021
1.	Fund Based	Long Term	25.34	IVR B+/Stable	-	-	-
2.	Non-Fund Based	Short Term	7.00	IVR A4	-	-	-

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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



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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.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Jan 2031	19.34	IVR B+/Stable
Cash Credit	-	-	-	-	6.00	IVR B+/Stable
Letter of Credit	-	-	-	-	7.00	IVR A4

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Vellum-Papers-july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable



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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.