



Press Release

Vishal Papertech (India) Limited

June 05, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	43.52 (reduced from 44.61)	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facilities	17.00	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	4.00 (reduced from 6.00)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	64.52 (Rupees sixty- four crore and fifty-two lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Vishal Papertech (India) Limited (VPIL) continues to derive comfort from long track record of the company in the paper industry under experienced promoters, stable business performance albeit moderation in scale of operation, average financial risk profile marked by improvement in the capital structure and average debt protection metrics. However, these rating strengths remain constrained due to susceptibility of margins to volatility in prices of raw material, low entry barriers in highly competitive industry and exposure to foreign exchange fluctuation risk.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operation and profitability on a sustained basis
- Improvement in the capital structure marked by improvement in overall gearing to below 1x
- Improvement in working capital cycle leading to improvement in liquidity.

Downward Factors



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- More than expected moderation in scale of operations on a sustained basis impacting the profitability
- Withdrawal of subordinated unsecured loans and/or any unplanned capex impacting the capital structure leading to moderation in overall gearing to over 2x
- Deterioration in debt protection metrics with dip in interest coverage to below 2x.
- Moderation in liquidity position with elongation in operating cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of the company in the paper industry under experienced promoters

VPIL has been involved in the business of manufacturing of paper products since 1994 and the promoters have a long-standing experience in the industry. Mr. Mahesh Kumar, who is the one of the directors of the company, has an extensive experience of about four decades in the paper industry. The other director, Mr. Ankit Gupta, have more than a decade of experience in the paper and pulp industry.

Stable business performance albeit moderation in scale of operation

The business performance of the company continues to remain stable marked by its sustained profitability despite moderation in the scale of operation. The total operating income had moderated from Rs.301.24 crore in FY22 to Rs.284.02 crore in FY23 registering a decline of 5.72% due to decrease in sales volume of duplex paper board although the sales realization has increased. However, the revenue is estimated to decline further to ~Rs.204 crore in FY24 due to significant fall in wastepaper prices which had a cascading effect on the sales realisation of duplex boards thus impacting the turnover. However, despite decline in revenue, the profit margins of the company have improved mainly on the back of decrease in raw material procurement cost. In FY23, the EBITDA margin and PAT margin has improved to 4.90% and 0.95% respectively as compared to 4.37% and 0.93% in FY22 respectively. In FY24, VPIL estimated to report an improvement in EBITDA margin to ~8% owing to dip in price of its main raw material, i.e. waste paper and the company has ventured into premium quality products.

Average financial risk profile marked by improvement in the capital structure and average debt protection metrics



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The capital structure marked by overall gearing ratio has improved to 0.81x as on March 31, 2023, as compared to 2.47x as on March 31, 2022, on the back of infusion of subordinated unsecured loan aggregating to Rs.24.92 crore during the year. However, the overall gearing is estimated to be moderated due to elevated debt levels with higher utilisation of working capital limits. The company has availed fresh term loans during FY24 to purchase new machineries as the company is venturing into premium quality products. The debt protection metrics marked by interest coverage has deteriorated from 3.75x in FY22 to 3.20x in FY23 and estimated to softened further to 2.61x in FY24 due to continuous rise in interest and finance charges. Total debt to EBITDA and Total debt to NCA though stood satisfactory at 3.07x and 4.63x respectively as on March 31, 2023, is estimated to be moderated as on March 31, 2024, due to rise in debt level.

Key Rating Weaknesses

Susceptibility of margins to volatility in prices of raw material

The operations of the company are raw material intensive. The main raw material used in the manufacturing process is wastepaper which accounts for ~80% of VPIL's total raw material costs. The prices of the wastepaper in the domestic and international markets have witnessed volatility over the years which impacts the profitability of the industry players.

Low entry barriers in highly competitive industry

The paper and packaging industry is intensely competitive with numerous unorganised players due to low entry barriers and limited product differentiation, leading to limited pricing power. The highly fragmented and competitive nature of the industry may impact the profitability of the players.

Exposure to foreign exchange fluctuation risk

VPIL sources wastepaper from both domestic and international markets. VPIL's margins remain vulnerable to any adverse fluctuations in foreign exchange rates in the absence of a hedging mechanism. The unhedged forex exposure stood at Rs. 3.99 crore as on March 31, 2024.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)



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

[Policy of default recognition](#)

[Criteria on complexity](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain comfortable marked by its expected adequate gross cash accruals in the range of ~Rs.9.91 - 13.05 crore as against its debt repayment obligations in the range of ~Rs.4.95-7.12 crore during FY25-FY27. However, the average working capital utilisation of the company in the past 12 months ended April 2024 remained high at ~88% indicating a limited liquidity buffer.

About the Company

Vishal Papertech (India) Limited (VPIL) was incorporated in 1994 by Mr. Mahesh Kumar and is engaged in manufacturing of paper boards and white coated back, used in the packaging industry, with its manufacturing facility located in Mohali, Punjab, having an installed capacity of 89250 MTPA. The product of VPIL includes Coated/ Uncoated Duplex Board, Crystal White Back, Radiance White Back, Radiance Grey Back, VT Platinum, Pearl Graphic, etc. These products are available in various sizes as per the specific needs of their clients. Duplex Paper is made of high graded recycled pulp and surface treatment. Duplex paper thickness varies from 200 GSM to 410 GSM.

Financials (Standalone):

	(Rs. crore)	
For the year ended* / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	301.24	284.02
EBITDA	13.18	13.93
PAT	2.82	2.69
Total Debt	62.51	42.71
Adjusted Tangible Net worth	25.32	52.92
EBITDA Margin (%)	4.37	4.90
PAT Margin (%)	0.93	0.95
Overall Gearing Ratio (x)	2.47	0.81
Interest coverage (x)	3.75	3.20

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: The ratings of Vishal Papertech (India) Limited continue to be classified under Issuer Not Cooperating category by Crisil as per Press Release dated October 17, 2023, and by Brickwork as per Press Release dated April 05, 2024, due to unavailability of information.



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Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (April 14, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Dec 30, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Nov 15, 2021)
1.	Term Loans/ GECL	Long Term	23.52	IVR BBB-; Stable	IVR BBB-; Stable	IVR BB+; Issuer Not Cooperating	IVR BBB-; Stable
2.	Cash Credit	Long Term	37.00	IVR BBB-; Stable	IVR BBB-; Stable	IVR BB+; Issuer Not Cooperating	IVR BBB-; Stable
3.	PCFC	Short Term	1.00	IVR A3	IVR A3	-	-
4.	Letter of Credit	Short Term	3.00	IVR A3	IVR A3	IVR A4+; Issuer Not Cooperating	IVR A3

Name and Contact Details of the Rating Analyst:

Name: Nidhi Sukhani	Name: Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: nsukhani@infomerics.com	Email: apodder@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).

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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 Loans/ GECL	-	-	Mar 2031	23.52	IVR BBB-; Stable
Cash Credit	-	-	-	37.00	IVR BBB-; Stable
PCFC	-	-	-	1.00	IVR A3
Letter of Credit	-	-	-	3.00	IVR A3

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-VishalPapertech-jun24.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.